FAR EASTERN

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FAR EASTERN
ECONOMIC REVIEW

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CONTENTS :—

	Page
Four Years of India's Independence	97
Economic Review of the U.S.	99
The British Airline over which the sun never sets	100
Social Insurance in Communist China	101
Kowloon-Canton Railway	103
Hongkong Harbour Report	103
Indian Goods in Thailand	104
The Marshall Plan	105
Development Prospects of India	113
Indian Govt. Development Schemes	118
Financial Reports	121
Singapore Share Market	122
Gold & Silver Exchange of Hongkong	123
Hongkong Commodity Markets	124
Hongkong Import/Export Controls	125
Indian Oilseeds: Production and Trade	126
India's Hides and Skins Industry	127

FOUR YEARS OF INDIA'S INDEPENDENCE

PROBLEMS FACING INDIA TODAY

From Our Own Correspondent

Four years of India's political career as an independent country will be completed on August 15. With elections drawing near, there is a general disposition to take stock of the developments both in the political and economic field during this eventful period. The general verdict is one of sober optimism in the future though the degree varies according to the colour of the political glasses used by surveyors.

The war meant a large draught on civilian resources of the country and their inflationary consequences could be mitigated only to a limited extent through physical controls. Its end was followed by two years of abnormal political conditions under which Government was unable to act as a united body. To make matters worse, the country was partitioned and the attainment of independence was immediately followed by economic dislocation of a great magnitude. These developments worsened the imbalance in the national economy and resulted in a further deterioration in the economic conditions of the country.

Viewed in this context the last four years may be considered to be a period of trial and errors. The emphasis was inevitably on tackling the more pressing problems and preserving the integrity of the newly achieved freedom. It is estimated that some 7.5 million persons migrated to India from Pakistan and the problem of their rehabilitation provided a serious headache to Government. Owing to pressure of circumstances Government also took upon itself the task of attempting too much with the result that the period under review imposed an enormous strain on our economy with its depleted resources and multiplying activities and inflationary pressures began to grow very rapidly.

* * *

This is inevitable in a country in which the population has risen by 52 per cent. during the past half a century. The incidence of growth is particularly high during the past three decades; but that is because of the sharp fall in the death rate rather than the increase in the birth rate. In 1949, for instance, the birth and death rates worked out at 27.6 and 16.4 respectively against 38 and 34 in the first two decades of the current century. On the other hand, there has been very little change in the occupational structure despite considerable expansion of industries.

Despite the industrialisation of the country, agriculture still continues to be the main occupation in the country providing employment for 68.2 per cent. of the working population as against 71 per cent. four decades ago. The sown area per head has tended to decline from 0.88 acre in 1911-12 to 0.71 acre after partition and though the detailed statistical data are not available, the general picture of agriculture is one of stagnation. In the industrial sector there has been considerable development during the past three decades. Nevertheless, organised industries provide employment for hardly 2.4 million workers. The conclusion is therefore irresistible that the economy is for a long period geared to a low level of production and consumption and secondly the margin of savings available for development is small.

Following the partition the bulk of the irrigated areas went to Pakistan with the result that the agricultural productivity of what remained in the Indian Union dropped substantially. On the other hand, ideological notions about ending economic inequalities and social injustice persuaded Government to pursue policies which directly or indirectly resulted in lowering the industrial productivity by anything between 20 and 30 per cent. Strained industrial relations and labour inefficiency were to be blamed as much for this as the worn out plant, shortage of raw materials, and managerial shortcomings. The worst to be affected were the cotton and jute industries which depended substantially on Pakistan for raw materials and since these two accounted for a major portion of the industrial activity, the general index of industrial production, with 1946 as the base year, declined progressively from 108.9 in 1948 to 106.3 in 1949 and to 105.2 in 1950.

These trends, together with Government's failure to check black marketing and profiteering at home and the impact of inflationary pressures from abroad, had the inevitable effect of intensifying the inflationary pressures which have virtually wiped out the middle class and brought about a social revolution in the country. At the same time the increase in money incomes resulting from inflation has altered the distributive pattern of incomes in favour of the worker and the peasant though the level of real income per head has remained unchanged or is perhaps slightly lower than the prewar year.

Since August 1947 the rise in commodity prices is of the order of 50 per cent. During the past twelve months it is as much as 16 per cent. Compared to the advance of commodity prices in some of the leading overseas countries during the first year of the Korean war, the behaviour of commodity prices in this country is no doubt better; but the reason for this is that the balloon of inflation has been strained to the maximum. In fact, of late the inflation of prices has changed into one of cost bringing in its train patches of unemployment, stringent money conditions and rationing of the purse.

The economic trends during the past four years can be summed up well in the following table:—

	March 1948	March 1949	March 1950	June 1951
Financial Statistics				
(Rs. in crores)				
Scheduled Banks:—				
Demand Liabilities	746.8	643 3	592.1	595.8
Time Liabilities	339.6	291 2	267.4	294.6
Cash and Balances with Reserve Bank	132.2	91.1	88.9	90.1
Note Circulation	1,304 4	1,169.4	1,163.5	1,254.5
Foreign Assets of Reserve Bank	1,528 0	944.1	858.8	856.0
Balance of Trade				
(Financial Year)	— 37 58	— 95.18	— 79.40	+ 21.42
Price Indices				
General Commodities	319 0	369.8	390.8	456.3
Government and Semi-Government Securities	102.6	101.4	100.9	98.20
Variable Yield Shares	154.2	124 4	113.1	135.7
Gold Spot	300.5	295 1	310.8	325.0
Silver Spot	351.1	365.0	387.1	390.0

The immediate problems that confront the country relate in the main to high and rising prices, shortages of raw materials, of essential consumer goods and of housing and the relief and rehabilitation of displaced persons. Moreover, much of the present economic discontent in the country is attributable also to the growth of unsocial activity such as black marketing and profiteering.

* * *

Government's prescription is the Five-Year Plan a draft outline of which has been issued by the Planning Commission this week for eliciting public opinion. The Plan will be finalised next month in the light of the countrywide reaction and its implications involving a financial outlay of Rs. 1,493 crores and seeking to do not more than to rectify the disequilibrium in the economy caused by the war and the partition will be examined in this Review later. Its execution, however, depends mainly on one basic stipulation, besides several other factors. As Pandit Nehru rightly reported to the Indian National Congress this week, "it is necessary to have a strong Central Government."

The present Government of India is not a fully Congress Government though it is dominated by the nominees of the Congress Party. Prior to August 1947 were held the general elections to the State Legislatures in which the Congress had been having an overwhelming majority. Representatives to the Constituent Assembly were elected by the State Legislatures with the result that it was composed mainly of Congressmen with a sprinkling of non-Congress element representing the best talent outside the party. It is this Constituent Assembly which was responsible for framing the Constitution of the Indian Republic and is now known as Parliament.

Whatever may be the shortcomings of the present Government of India in the economic field, it has achieved the most difficult task of integrating the numerous Indian States with the Indian Union with the result that what was ceded to Pakistan areawise has been made good and a compact geographical unit has been established firmly. The only thorny problem is now Kashmir. The political set up of the Constitution is a federal structure in which the Central Government and the State Governments have their assigned spheres of action and there is in addition a list of concurrent subjects in regard to which both the Centre and the States can undertake legislation. The co-operation between the two wings has been a slow process partly developed by conventions and the monetary strings pulled by the Government of India; but the Constitution itself has a bias for the centralised authority.

Until the achievement of political independence the Congess Party was the only political party worth the name and a cross current of political elements in the country therefore, worked under its banner. It is, however, during the past four years that economic policies and objectives have become the sheet anchor of Indian politics. The first to leave the Congress were Socialists who might be suitably compared with the left wing labour leaders in the United Kingdom. By now they have assumed the leadership of a majority of the working class in the country. Only last month, another powerful group led by the Congress ex-President, Mr. Kirpalani, has deserted the Congress. This section has a fairly good hold on the rural population in certain States.

Whether the new deserters will return to the Congress fold or not is a point on which speculation is hazardous. At any rate a bold bid is being made by the Prime Minister to unify the Congress. Should he be unsuccessful in his efforts, this new group will make a common cause with the Socialist Party. In other words, the two parties which will be dominating the national politics in the immediate future will be composed in actual practice of the two wings of the Congress, right and left, irrespective of their party label. The difference between the two is one of tactics rather than of objectives. Both want to end the social and economic injustice; but the former wants to hasten slowly because it has by now found out the difficulties, administrative and financial, in rushing towards the goal.

Outside remain a variety of communal groups and the Communists. In the secular Union that has been established communalism has no place and the younger element in the country has no attraction for parties like the Hindu Maha Sabha and the R. S. S. despite the fact that the latter has mustered support from amongst those who had to leave their homes in Pakistan during the turmoil following the partition of the country.

The Communist Party of India has a long history and the economic distress of the past decade has no doubt provided a fertile soil for its growth. Curiously enough its policy of violence and open warfare against the State has only brought about an utter demoralisation in its camp. Even the oppressed have lost their faith in its ideology and more particularly in its methods. Naturally, therefore, it has recently decided to burn its boats and has made a common cause with the radical group within the Socialist Party.

The country's attitude towards the various parties may be best summed up in the Prime Minister's words. In his report to the Congress he observes: "To some extent the Communists have revised their policies and tactics recently, but basically their approach continues to be the same as before. In regard to the Socialist Party or the Praja Party (Kirpalani Group) or any like organisation, we (Congress) should endeavour to have as much of co-operation in working common programmes as possible." On this basis, it is safe to assume that the forthcoming elections will see the emergence of a two-party Government in this country capable of implementing the modest plan now evolved and to which the saner element in the country has been wedded.

ECONOMIC REVIEW FROM THE UNITED STATES

By E. KANN, (Los Angeles)

Special to the FAR EASTERN ECONOMIC REVIEW.

The Business Outlook.

It is too early to determine final prospects of present peace talks in Korea, though there is no doubt that an armistice is fervently hoped for by both contending parties. But whatever the result of the preliminary Kaesong meetings might be, it remains abundantly obvious that the Korean negotiations will not settle the fundamental conflict between the communist and the democratic ideologies. These differences of mind are bound to dominate world conditions for many years to come. To counter such threats the United States have made it an imperative task to remain prepared for eventualities and to grow stronger as time passes. Under such conditions it become obvious that America will not scuttle its defense program and relapse into a state of unpreparedness.

Defense expenditure is now at the rate of 30 billion per annum and is expected to double in 1952. Most industries are diverted from their peace-activities and are now serving Government, even though this means much reduced profit margins. This view relate largely to the auto-industry. But also television and radio manufacturers are directly affected. So, for instance, the largest concern, the R.C.A., now works on defense orders to the extent of 80%, devoting 16% of its activities to TV and radio, and 4% to communication orders.

With the wide increase of motor vehicles on the roads it stands to reason that auto replacement parts were very much in demand. Therefore the producers of such articles have had an excellent first half-year. However, due to general cut backs in the way with basic materials, coupled with reduced production of new cars (General Motors, for instance, is about to be cut 40%), auto-parts manufacturers are going to hit the bumps. What role auto-part are playing in the general economic frame can be gleaned from the following figures: In 1940 the wholesale disposal of replacement parts aggregated $553 million; by 1950 it had reached $2,140 million. Concerns with large business in replacement accessories are Auto Lite, Born Aluminum, Cleveland Graphite, Electric Storage Battery, Federal Mogul, Thermoid, Raybestos-Manhattan, Thompson Products and Timken Roller Bearing. But there are numerous others, like Borg Warner, Briggs Manufacturing Co., Budd Co. Doehler-Jarvis, Danna Corporation, Midland Steel Products, Libbey-Owens-Ford, etc.

Business in machine tools is booming, for shipments are now running double of what they were a year ago. Backlog orders amount to as much as one billion dollars. Rural buying power, measured in terms of farm income, was 20% higher in the first semester of 1951 than what it was a year ago.

Certain share groups are doing at present worse than the market, notably manufacturers of airplanes, makers of autos and spare parts, soaps, soft drinks, food chains. steels and tobacco. Better performers are ethical drugs, paints, rubbers, chemicals, glass containers, coppers, fertilizers, rayons and oils. Airlines are doing a rapidly expanding trade, but the value of shares has not increased during recent months; however, there are prospects for a rise in this group. Even the New York Stock Exchange has its fashions and fashion shows.

Half-year Results of Banks.

The following are indications as to the net-result attained by some American banks during the first half of 1951:

	6 m/s 1951	Per share	6 m/s 1950	Per share
National City Bank/Farmers Trust	$ 11.563.000	$ 1.61	$ 10,486,000	$ 1.60
Chase National Bank	10,101,000	1 37	10,328,000	1.39
Guarantee Trust Co. of New York	8.725.000	8 72	9,401,000	9.40
Manufacturers Trust Co. of N.Y.	6,057,000	2.40	5,728,000	2.27
Bankers Trust Co. of N.Y.	3,163,000	1.05	4,004,000	1.33
First National Bank of New York	3.862,000	38.62	4,036,000	40.36
Bank of Manhattan Co.	3,136.000	1.25	3,033,000	1 21
Irving Trust Co. of New York	3,755,000	0.75	3,507,000	0 70
Chemical Bank & Trust Co.		1.72		1.48
United States Trust Co. of N.Y.		4.58		4.13
New York Trust Co.	2.417.000	4.03	2.078.000	3.46

The Auto Industry.

Mainly due to scarcity of metals, and to the control of these, the number of motor vehicles newly manufactured in this country is bound to show a decline. Added to this basic factor is the curtailment of credit, so that less people now can afford to buy new cars and meet the larger instalment payments.

On the other hand, motor car factories have switched over to government contracts for articles not akin to automobiles. While such orders are large in extent, profits are severely curtailed. Therefore, final financial results for the year of most motor car factories will be smaller than what they were last year.

Here are some points relative to automobile industries, related in an un-coordinated manner: The Chrysler Corporation obtained recently a $91,000,000 navy contract to build and operate an airplane engine plant. Willys-Overland Motors, Inc., announces the receipt of two development contracts in the electro-mechanical field. The concern has arranged to acquire a modern brick-plant in Toledo to house its new electronic division. It is planned to add to the company's electronic staff another 100 mechanical and electronics engineers. For security reasons value of contracts obtained by Willys was not revealed. One contract came from the Glenn L. Martin Aircraft Co., while a second contract was placed by the U.S. Signal Corps. During World War II Willys-Overland was one of the nation's top 50 suppliers of military material. Apart from jeeps Willys war output included shells, aircraft landing gear, center wing sections for the navy's Corsair fighters and robombs.

The Kaiser-Frazer Motorcar Works is having its Dovagiac engine division tooled for production of components for Wright R-1300 aircraft engines, to be constructed for the Air Force at the Detroit engine plant. The Dovagiac facility will be equipped to perform about 47% of the machining operations needed on the Air Force project.

Since the end of world war II 24,600,000 motor cars were built in this country. Of these some were exported abroad; some others were delivered to various governmental agencies. But the bulk, say 20 million cars, was sold in the domestic markets, the largest volume (within six years) in any like span of time in automotive history. Now, however, production will have to be cut back owing to unavailability of sufficent ingredients. Stocks of new unsold cars now are about 400,000 units. just one month supply. As the output per month will fall below this figure, it is more than likely that there might be a shortage by the close of the year, if not before.

The Chevrolet Motor Division announces production of its 26,000,000th car. The new volume record can be grouped into 24,500,000 passenger cars and trucks from domestic plants, while Canadian production accounts for the balance.

During the first half of 1951 about 3,100,000 were rolled out. However, owing to the scarcity of basic material, it is expected that no more than 2,000,000 to 2,400,000 units will be turned out in the course of the second semester.

During May of this year, 48,306 motor vehicles were exported from the United States to foreign countries, setting a post-war monthly record. This is a 100% gain over the same month of 1950. Combined domestic and foreign factory sales during May aggregated 652,853 vehicles, including production for the armed forces. Passenger cars numbered 512,076, trucks 140.050 and motor busses 742.

Oldsmobile, the oldest manufacturer of America, produced its 3,500.000th car recently. Though Oldsmobile was founded in 1897, it did not complete its millionth car until 1935. The 2,000,000th car was completed in 1941. With world war II intervening, Oldsmobile's 3,000.000th car did not appear until 1950.

Even if the present meetings in Korea should bring real peace, the result would not be any easing in the supply of steel. Most of the alloy steels used in automobiles will not be obtainable before the end of the current year. This implies that

car manufacturers will have to look for substitutes. The substitutes fortunately are now available, namely boron steels, found thanks to the intensive research by automotive engineers in co-operation with steel manufacturers. The expectation prevails that in the third quarter of 1951 (July-September) about 85% of finished steel will be controlled by the authorities, and the figure probably will reach 100% in the course of the fourth quarter.

A new process to join steel and rubber is likely to be of direct interest to the motor car industry. Chemists of the General Electric Co. have found a process to join silicone rubber to steel and other surfaces "in a permanent bond stronger than the rubber itself." This knowledge should become useful to engine and shock mounts, for engines would produce greatly reduced vibration. The key to the process is a thin, glue-like primer sprayed or brushed on the glass or metal to be united with the rubber. After drying, the surfaces are placed together under light pressure at about 250 degrees Fahrenheit. Then the primer forms a strong bond between the rubber of such surfaces as steel, or glass, aluminum, copper or tin. General Electric asserts that the bond withstands temperatures from 85 degrees below zero to 500 degrees above zero Fahrenheit. In laboratory tests the bond has shown a strength of about 700 pounds per square inch of holding area.

The Kaiser-Frazer Willow Run modern auto plant has a capacity of 2,000 cars per diem, now produces about 400 vehicles only. If it was not for government contracts (of which 500 million dollars worth were obtained in the first six months of this year), the concern with its 8,000 workers would have had a very hard time. In 1948 Otis & Co., an underwriting firm suddenly balked on its agreement with K-F to sell 1½ million shares at $13 each. Since then the company had to borrow $105 million, and K-F still owes to the RFC to-day 60.9 million dollars. Stockholders, who had invested $59 million, have lost so far $34 millions, according to Forbes Magazine of Business. K-F are the fourth largest amongst the independent manufacturers, following Hudson, Studebaker and Nash.

Items of General Interest.

The Mexican Government decided to stop the export of silver during the second half of 1951 and buy up the total output. As a result of this decision the price in the United States rose from 87 to 90 cents for foreign silver.

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The American Telephone and Telegraph Co. announces that its net income for the first 5 months of the current year amounts to $76,680,000, compared with $63,307,000 for the identical period of 1950.

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Present crude-oil output in the States amounts to 6,100,000 barrels per day.

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According to the Engineering News-Record heavy construction contract awards, totaling $404,655,000, during the first week of July, were the fifth highest this year.

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THE BRITISH AIRLINE ON WHICH THE SUN NEVER SETS

The sun never sets on B.O.A.C. Every hour of the day and night more than 50 B.O.A.C. aircraft are flying along this 150,000 miles network of air routes which serves 51 countries. Over 130 separate services are operated each week along these routes by the Corporation's fleet of over 100 aircraft. In 1950 these aircraft flew 541,277,601 passenger miles, 18,710,513 cargo ton-miles and 11,429,178 mail ton-miles.

Every day there are flights between London and the Middle East taking under 24 hours for the journey. Ten times every two weeks Australia is linked with Britain in conjunction with the services of Qantas Empire Airways, while between South Africa and Britain there are frequent and fast services in co-operation with South African Airways.

Almost every day B.O.A.C. aircraft leave Britain for and return from East and West Africa, Pakistan and India; there are thrice weekly services between London, Hong Kong, and Japan and two a week to Ceylon, the longest journey being 3½ days to Tokyo; to East and West Africa it is no more than an overnight flight.

Linking up with this network, Tasman Empire Airways carries passengers between Australia and New Zealand; across the Pacific they can go on by British Commonwealth Pacific Airlines; and via Canada by Trans-Canada Airlines, completing an all-British Commonwealth round-the-world route, which can be flown in 8½ days.

Feeder lines connect with B.O.A.C. routes in the British Colonies where, in varying degrees, the Corporation is helping many airline companies.

To enable the organisation to deal effectively with operations, "Lines" have been established, each under its own Manager.

No. 1 Line operates the aircraft flying between Britain, Pakistan, India, Ceylon, the Far East and to South America via Lisbon as well as some of the services to and from the Middle East. It is equipped with 22 Argonauts, modern pressurised aircraft built in Canada by Canadair Limited and fitted with British Rolls Royce engines and much other British equipment. They cruise at up to 300 m.p.h. and have first-rate passenger accommodation and amenities.

The sphere of No. 2 Line operations is East, West and South Africa. It is equipped with the new Handley Page Hermes, a fast pressurised airliner from the firm that produced the pre-war aircraft with which one of B.O.A.C.'s predecessors, Imperial Airways, established its reputation in Europe and elsewhere for safe and comfortable air travel.

No. 3 Line is responsible for operating the famous Boeing Stratocruisers between the United Kingdom, the United States and Canada; also the Lockheed Constellations between Britain and Australia, in co-operation with Qantas Empire Airways, and on B.O.A.C.'s Central Atlantic services to Bermuda and the Caribbean and down the West Coast of South America to Chile.

Such then is the current picture. The future holds much promise, for on order from the de Havilland Aircraft Company are 14 of the famous Comet pure jet airliners, which are arousing intense interest throughout the world. Of these wonderful

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The American Rubber Industry is doing extremely well. The largest concern is Goodyear Tire & Rubber Co. Firestone Tire & Rubber Co. reports net profits for the six months ended April, 1951, at $23,082,000 or $11.89 a share, compared with $13,320,000 for the analogue period of 1950, or $6.88 a share.

* * *

It is expected that Socony-Vacuum Oil Co. will report second quarter earnings at about $37,000,000 (equal to $1.16 a share), similar to the result for the first three months of this year. Last year's second period earnings were $23,000,000, or 72 cents per share. The concern has projected a capital expenditures program which is one-third larger than 1950.

* * *

The largest raw cotton firm, Anderson Clayton & Co., well-known in the Far East, came out with an agreeable surprise recently. Net profits were so large that the firm declared a quarterly dividend of $6, besides a stock dividend of 100%. Within three days the shares rose 15 points and are now quoted at $90.-

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Expansion of air travel is making rapid progress in America. Capt. Ed. Rickenbacher, for the past 17 years in control of Eastern Air Lines, says that during the first seven years of its existence Eastern carried 1,000,000 passengers. The same number was covered during the first 100 days of 1951. In March, 1936, the company's revenues barely reached $100,000. in March, 1951, they exceeded $10,000,000. Next year Eastern will invest $75,000,000 in new airplanes.

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The first six months net results of Western Airlines were $600,000, or $1.15 a share. This net would compare with $118,000 (or 36 cents) for the first semester of 1950.

It is not generally known that the United States now is a supplier of iron ore to Japan. In former times Nippon used to get her iron ore supplies from China, Manchuria and Korea. Since these sources now are not available, iron ore, mostly from Nevada, are shipped to Japan via San Francisco. Altogether arrangements have been completed for shipment to Japan, in the course of the current year, of one million tons of iron ore.

THE MARSHALL PLAN
A Program of International Cooperation

The Marshall Plan is one of the most significant demonstrations of international cooperation in peacetime history. Those who formulated the program wrote into it the same long-range objectives to which they had subscribed as members of the United Nations—peace, freedom, and a decent standard of living for people everywhere—and in its operation the Marshall Plan has added strong support to the growing structure of world organization. Where World War II destroyed on a scale to stagger the imagination, the Marshall Plan seeks to rebuild—and on an even vaster scale, for it seeks not merely to reconstruct what was destroyed but to lay the foundations for a better world. Where World War II brought chaos and despair, the Marshall Plan seeks to bring order, prosperity, and hope. It is a mixture of hard-headed business, in which the Economic Cooperation Administration (ECA) is wringing every penny out of the dollar, and a deep rooted concern for the dignity of the individual and the sacredness of human life.

The Marshall Plan was precipitated by the European crisis. Its immediate goal was the restoration of Europe, although, as the months have passed, it has developed into a dynamic program of global dimensions closely integrated with the total foreign policy of the United States. When the war ended, a large proportion of Europe's industrial plants was shattered. Entire sections of cities had been reduced to rubble. Farmlands were torn and scarred. The transportation system, always a primary target for enemy bombers, was damaged almost beyond repair, with wreck-elogged harbors, fire-gutted marshalling yards, sagging bridges, and worn out rolling stock. Many banks, insurance companies, and other financial institutions had ceased to exist. Everywhere machinery was worn or obsolete. Trade between urban and agricultural areas was seriously disrupted because farmers were not interested in exchanging visible goods for a greatly inflated currency, and city dwellers could not produce the goods needed by the farmers. This situation forced governments to import food from abroad, with the result that precious credit needed for the purchase of capital goods was quickly exhausted. The basic fabric of Europe's economy was falling apart.

Meanwhile, Europeans struggled grimly to secure the barest essentials of food, clothing, and shelter. Cold, hungry, filled with despair, they were fighting a hopeless battle. Even nature seemed to turn against them. The winter of 1946-1947 was one of the worst in decades, and the following summer brought a disastrous drought. Two years after the war ended, Europe was plunging into economic chaos. Could Europeans, unaided by outside countries, arrest this trend? Could they lift themselves by their own bootstraps and start the long climb back to an ordered and productive way of life? In 1947 the answer seemed to be no. They needed so much of everything even to get started—food, clothing, and medical supplies in huge quantities to relieve suffering and dire want; seeds, fertilizer, and equipment to restore agricultural production; industrial machinery to rebuild mines, factories, and transport; raw materials such as steel, coal, cotton, and lumber to feed the machines.

The materials — raw and manufactured—were, of course, available, principally, although not exclusively, in the United States. The almost miraculous expansion of American production during World War II placed the United States in a position to supply Europe's basic needs if—and this was the catch—Europeans could find the dollars with which to buy the goods. The situation was tragic in the fullest sense of the word. Europeans did not have the needed dollars. They could not get them until they produced surplus goods to sell abroad. They could not produce the goods until they had the dollars with which to rebuild and retool their farms and factories. It was a vicious spiral down which more and more people of Europe, in spite of all their efforts, were being forced into destitution and misery.

American leaders—governmental, military, business, and labor—watched this situation with growing alarm. They knew that most Americans clearly understood and accepted their moral obligation to help relieve suffering and want. But did the public also understand that the so-called European crisis was really a world crisis? Did the public realize that American prosperity and security were in jeopardy? Traditionally, Europeans had been America's best customers. In the postwar world, the United States with its greatly expanded industrial machine needed European markets more than ever. If Europeans could not buy American goods, the American public would soon feel the pinch. Factories would have to curtail production; profits and dividends would diminish; unemployment would increase. No one could predict precisely the extent to which the American economy would be affected by the economic collapse of Europe, but experts agreed that blow would be serious.

Equally alarming was the threat to American security. Wars and revolutions breed in poverty and are nourished by desperation. Unless the United States acted quickly and on a scale adequate to meet the need, Europe would be swept by revolution. If this happened, the Western Hemisphere would be isolated—for no one in his right mind believed that the new governments would be anything but hostile. The shadow of a Communist-dominated Europe darkened every discussion of the European crisis.

The plain fact was that the American people were being confronted with the responsibilities of world leadership. Their moral obligation to help those nations that had suffered most from the war was clear and reasonable. As a leading member of the United Nations, they had pledged themselves to uphold the freedom and independence of their fellow members. And, not least important, self-interest demanded immediate action. Economically, politically, and strategically Americans had much to lose by failure to act.

Inauguration of the Marshall Plan

On June 5, 1947, General George C. Marshall, then Secretary of State, focused public attention upon this problem. His speech at Harvard University was directed to the peoples of Europe and the citizens of the United States. "It is logical," he said, "that the United States should do whatever it is able to do to assist in the return of normal economic health in the world, without which there can be no political stability and no assured peace...." "But," he added, "before the United States can proceed much further in its efforts to alleviate the situation and help start the European world on its way to recovery, there must be some agreement among the countries of Europe as to the requirements of the situation and the part those countries themselves will take in order to give proper effect to whatever action might be undertaken by this Government....The initiative....must come from Europe. The role of this country should consist of friendly aid in the drafting of a European program and of later support of such a program so far as it may be practical for us to do so. The program should be a joint one.....Any government that is willing to assist in the task of recovery will find full cooperation, I am sure, on the part of the United States Government."

To this promise to help, General Marshall added a warning. "Any government which maneuvers to block recovery of other countries cannot expect help from us. Furthermore, governments, political parties, or groups which seek to perpetuate human misery in order to profit therefrom politically or otherwise will encounter the opposition of the United States."

Hopefully, however, he invited all of the European countries to join the United States in a mighty cooperative attack upon the problem. "Our policy," he declared, "is not directed against any country or doctrine, but against hunger, poverty, desperation, and chaos. Its purpose should be the revival of a working economy in the world so as to permit the emergence of political and social conditions in which free institutions can exist."

This short speech (it covered only two mimeographed pages) produced an immediate and enthusiastic reaction. After preliminary conversations, the Foreign Ministers of France, Britain and Russia met in Paris to discuss ways and means for converting General Marshall's idea into a program. At the end of three days Mr. Molotov, in the name of the Soviet Union, walked out of the conference and later forbade the satellite countries to join in the program.

Foreign Ministers Bevin and Bidault immediately invited twenty-two additional European nations to meet with them. In response to this invitation, representatives of the nations of Western Europe—all but the Soviet Union and the Communist-dominated countries—promptly met to discuss their needs and to formulate a program. Headquarters were set up in Paris and a temporary organization, the Committee of European Economic Cooperation (CEEC) was formed. Later a per-

manent organization, the "Organization for European Economic Cooperation" (OEEC), was established. Meanwhile, in the United States, committees appointed by the President and Congress studied the proposal and developed practical means for setting up the program. After thorough discussion in Congress, the Foreign Assistance Act was enacted on April 2, 1948, and the Economic Cooperation Administration was created when the President signed the bill the following day.

The Democratic Way of Self-Help and Cooperation

Less able European and American leaders might have taken General Marshall's idea and developed it into a huge program of direct relief and long-term loans. Had they done this, the plan would have failed. United States resources were not large enough to rebuild Europe. Moreover, recovery was not simply a matter of clearing away rubble and constructing new buildings. Of what use were new structures if beneath the facade of stone and brick and steel men lived without faith and hope?

From the outset, therefore, the architects of the Mashall Plan on both sides of the Atlantic agreed that American aid would be meaningful only to the extent that it helped Europeans to mobilize their own resources of initiative, of creative energy. In so doing, they would renew their faith in themselves and in their fellow men. The larger meaning of the Marshall Plan, and the secret of its success, lies in this basic conception. The elaborate mechanism for converting dollars into productive enterprises, essential though it is, is, in fact, merely a device for strengthening men's faith in the enduring values of mutual help and cooperation. It is hardly necessary to emphasize the point that these values have helped immeasurably to make the Marshall Plan attractive to the democratic world. Throughout American history, for example, men have placed a premium upon initiative, inventiveness, and the ability to stand upon one's own feet. The way of self-help and cooperation is understood and respected by the American people, as well as by Europeans reared in the democratic tradition.

In the Marshall Plan, the Old World and the New joined in a mighty offensive against "hunger, poverty, desperation, and chaos" and for a world "in which," as General Marshall phrased it, "free institutions can exist."

THE OPERATION OF THE MARSHALL PLAN

The Marshall Plan is an enormously complex operation, involving large expenditures of dollars and European currencies, and touching, in one way or another, the lives of more than 425,000,000 people in the United States and Western Europe, not to mention millions of others who live in the dependent areas of Asia and Africa. What does it cost? Each year Congress reviews the program and achievements to date; then makes the necessary appropriation. For the first three years of this four-year plan—i.e., up to June 30, 1951—it will have made available, in all, some 12 billion dollars. According to the original plan, each of the three appropriations has been markedly lower than the preceding one, and it is expected that this pattern will be followed during the last and final year of the program. However, in view of the emergency which arose with the attack on Korea, it is not possible at this time to foretell exactly what the needs will be.

Although this whole program is being carried out at a cost of several billion dollars less than was originally forecast, it still represents an enormous outlay of American taxpayers' dollars; but that outlay, big as it is, assumes reasonable proportions when it is viewed as the necessary cost of insurance for a free and prosperous world. Despite its size, the American contribution has been only about 25 percent of the total cost of European recovery. Contrary to widespread misunderstanding in this country, 75 percent of the burden has been borne, as it properly should be, by the European taxpayer and worker.

It is encouraging to note that, according to the best estimates, an average expenditure of between four and five billion dollars a year of ECA money has enabled Europe to increase production by approximately 30 million dollars a year. With ECA aid, Western Europe has accomplished more in the four years following World War II than it accomplished in seven years after World War I. This, of course, means more jobs and a better living for Americans—a fact clearly understood by the American Federation of Labor and the Congress of Industrial Organizations, both of which have warmly endorsed the program. Most gratifying of all, the rise in European productivity will be increasingly beneficial to the American economy, or, to be more specific, to American producers, investors, and workers in general. The more Europe produces, the more it can sell abroad, and the more it sells abroad the more dollars it will accumulate for purchases in the United States. It is as simple as that. If we continue our joint efforts to remove obstacles from the international channels of trade, Americans and Europeans alike will enjoy an increasing measure of prosperity long after the Marshall Plan has come to an end.

Organization and Administration

For the average person, details of organization and administration are important only to the extent to which they help him understand how the program works. One of the significant facts about the ECA is its low overhead, or operating cost to the taxpayer, only about one-third of one percent is used to administer the program. The low overhead is the happy result of a relatively simple organizational structure and administrative machine. Ultimate responsibility is, of course, vested in Congress, which controls the purse strings. Congressional appropriations are placed at the disposal of the ECA administrator, who from his Washington headquarters directs the operation of the program and makes top-level decisions. Most of the multitudinous details of bookkeeping are also carried on in Washington. ECA does not buy or sell. It is a credit agency for dollar purchases. But every purchase financed by ECA, no matter how small (and the purchases range from items costing as little as four or five dollars to contracts running into the millions) must be entered in the books for a final accounting.

Because Washington is so far from the European scene, ECA also maintains headquarters in Paris and missions in each of the Marshall Plan countries. The Marshall Plan countries also have their own special agencies that mesh with the ECA like gears in a machine. In each of the countries the ERP organization analyzes its own needs and continually plans for the future, working always in close collaboration with the local ECA missions. Only a few decisions are made at this level. The over-all dollar import decisions are made in Paris, where representatives of all the Marshall Plan countries work together in the OEEC. OEEC analyzes the proposals submitted by all the member countries and, after careful study of the total European situation, drafts a master plan for the Marshall Plan area of Europe. In doing this, OEEC may cut back or increase allocations for a certain type of aid to one or another country, and in the end, arrives at what it considers a balanced program for over-all European recovery as distinct from the recovery of a single country.

In shaping up its program, OEEC works closely with the Paris headquarters of the ECA. The operation of OEEC is an encouraging demonstration of European cooperation, of the "mutual help" upon which the entire Marshall Plan is based, with eighteen European countries working together toward a common goal—the recovery of Western Europe and the development of a healthy world economy.

Tractors, cotton, generators and other equipment—these are only a few of the thousands of varied articles pouring into Europe under the Marshall Plan. To the extent that they are gifts, they are gifts to the governments of the Marshall Plan countries, not to the individual consumers who must pay for what they get.

The accounting division of the ECA records every transaction, no matter how small—names and addresses of buyers and sellers, number and cost of articles, and dates purchased. These records are printed and bound in large bulletins, which are available to the public. Businessmen use them to compile lists of potential customers. Must Europeans purchase only from a selected list of American manufacturers and distributors? By no means. Once they have an authorization from the ECA they may buy where they please, even outside the United States. It is important to remember, however, that dollars ultimately all find their way back to the United States. As one of its many aids to those seeking business under the Marshall Plan, ECA has invited European and American businessmen to list themselves in directories, which it distributes upon request. ECA makes every effort, through its Office of Small Business, to provide American industry with information on proposed purchases. Beyond providing this information the agency leaves the matter entirely to the businessmen. Americans who wish to do business in Europe must locate their own markets and outsell their competitors.

Self-Help: The Counterpart Fund

In the above examples of Marshall Plan activities we deliberately omitted any discussion of an extremely important question: What happened to the francs, the lira, the guilders and the pounds that businessmen paid for their cotton, electrical equipment, and other goods received from the United States?

Every time a European buyer (an individual, a corporation, or a government) is authorized to spend a stipulated number of dollars for a specified article, his government must place an equivalent amount of its own currency in a special account called "the counterpart fund." In other words, ECA dollars are matched by an equivalent sum in the currencies of the Marshall Plan countries.

What does a Marshall Plan country do with its counterpart funds? In the first place, each country is required to allocate 5 percent of the fund to ECA, which uses this money to pay administrative costs in that country, and to secure scarce materials for stockpiling in the United States. The remaining 95 percent must be used, as the Foreign Assistance Act states, "for purposes of internal monetary and financial stabilization, for the stimulation of productive activity and the exploration for and development of new sources of wealth." Different Marshall Plan countries have used their counterpart funds in different ways. Norway and the United Kingdom, for example, withdrew their counterpart funds from circulation in order to reduce inflationary pressures. Greece has used its fund to care for and rehabilitate refugees from the guerilla war, to drain and irrigate land, to rebuild roads and bridges, to increase agricultural production, and for other similar purposes. Italy has put her counterpart into reforestation, land reclamation, housing, transportation, and a variety of other projects.

Whenever people discuss the counterpart system, one question invariably pops up: Does the United States control the counterpart fund? The answer is that no country can spend its counterpart money on any project without first securing ECA approval. To the extent that the United States can veto any project that it considers nonessential to recovery, it exercises control. On the other hand, the United States cannot dictate to a country what it shall do with its counterpart fund.

The expenditure of counterpart funds involves the following steps: First, the government of a Marshall Plan nation lists the projects that it wishes to finance with its counterpart currency. It does this in close consultation with the ECA mission stationed in that country. Second, these plans are forwarded, with recommendations by the local ECA mission, to ECA headquarters in Paris, and, if approved there, to the ECA administrator in Washington for final approval or rejection.

The need for ECA approval has on occasion led to misunderstanding. For instance, France once requested permission to build, in a famous seaport, a large gambling casino with counterpart money. Now to the French, whose cultural patterns differ from ours, this seemed to be a reasonable request because it would earn a great many dollars from tourists passing through the city. But ECA said no. Whether or not the gambling establishment was sound from a money-making viewpoint was irrelevant. ECA officials knew that American taxpayers would object to the use of counterpart funds for a project of this type. For the most part, however, projects submitted for approval have been thoroughly satisfactory to the ECA.

Counterpart also helped to prevent inflation in Europe from getting completely out of hand. If in 1948 American dollars had been poured into the Marshall Plan countries without some provision for withdrawing from immediate circulation an equivalent amount of local currency, the situation would have been disastrous. Forced to compete with the dollar, European currencies would have dropped even lower in value, or, to state the same thing differently, prices would have skyrocketed. But the immediate withdrawal of the counterpart money and its subsequent carefully controlled release for constructive projects helped to check inflationary pressures. Perhaps most important of all, counterpart provided a practical method for developing the democratic principles of self-help and cooperation.

The Technical Assistance Program.

A flow of ideas, as well as a flow of goods, has been set in motion by the Marshall Plan. Perhaps, in the long run, this will prove to be the most dynamic feature of the entire program.

It is strange indeed in these days of intense nationalism to see a major producing nation deliberately encouraging potential competitors to make use of its most advanced ideas and practices; strange, and new, but intelligent and entirely consistent with the principles of mutual help upon which the Marshall Plan has staked its success.

By the end of 1950 the Technical Assistance Program, which is the rather forbidding name given to this systematic attempt to share ideas by the exchange of experts, had brought to the United States approximately 3,000 specialists from Western European countries for visits ranging from three weeks to one year, and it will have sent about 500 United States experts to Europe.

Who were these "specialists" who came to the United States? What did they gain—and contribute—as a result of their visits?

A few illustrations may help to reveal the breadth and scope of the program. At one end of the scale are projects like the four-month tour by Miss Jean Wallace, a young poultry instructor at the West of Scotland Agricultural College, who visited American poultry farms and experiment stations. Back in Scotland, where she holds a job somewhat similar to that of a country agricultural agent in the United States, she will share with the farmers in her territory new ideas on the breeding and care of poultry, thereby contributing to the vital task of increasing the food supply of the United Kingdom.

At the other end of the scale are projects like the six-week visit of 16 specialists from the British steel foundry industry, selected by their colleagues to represent every branch of the industry—labor, management, and technical men, a balanced team in the fullest sense of the word. The objective. To help the British to increase steel production, key to industrial development.

Many others have come, as teams and as individuals: young Danish farmers, 35 youths in their early twenties; a team of 38 Turks to study rural youth programs, such as the 4-H Club activities; a delegation of Norwegian workers and labor leaders, chosen by individual unions in collaboration with the Norwegian National Trade Union Congress, to observe industrial and social conditions; a group of Austrians to study lumbering methods; and many others. Specialists in practically every field of industry, agriculture, transportation, and communications have crossed the Atlantic to observe practices and exchange ideas.

The dollar costs have been kept very low through the use of counterpart funds, whenever possible. But costs have meaning only when one considers what he has received for his money. By this standard, the program has been an outstanding success. Take, for instance, the team representing the British steel foundry industry. Their report, factual, almost blunt, made a tremendous impact in the United Kingdom. The first edition of 25,000 copies was gobbled up within a few days, and by 1950 the report was in its fourth edition. "Productivity in terms of man-hours per ton is undoubtedly higher in the United States of America than it is in Britain, by something between 50 and 90 percent," the report stated. The reason: better use of machines; more efficient factory layouts to speed the flow of material and reduce the movement of workers; and "the compulsion of the keenly competitive spirit which is inseparable from modern America. . . ." And the lessons for the United Kingdom and other industrial countries? These can perhaps be summarized most readily in the words of Professor Jean Fourastie, chief of the French Interministerial Committee on Productivity: "We had been thinking that the problem of raising our standard of living was political or legislative. Actually, we have come to see that it is a problem of producing." The British foundry steel team put the problem in human terms: "Economic Surveys politely use the terminology of economics," the report declared. "Put much more bluntly, the Economic Surveys tell us that the alternative to high productivity is STARVATION. Once that is understood, not only intellectually, but emotionally, something can be done."

The British warning was aimed at those who were fearful of the term "high productivity." This fear, rooted in the belief that new machines and methods will throw men out of work, is widespread throughout Europe. It is a feeling that the American worker entertained a generation ago. But the American workers' fears did not materialize. Machines did displace men, it is true, but each new invention opened new opportunities. Harness makers, for example, were thrown out of jobs by the automobile, but hundreds of thousands of Americans now

earn their livelihood directly or indirectly from an industry that has transformed life in the United States. Europeans must also learn this lesson. As the British team warned: "Traditional practice is all too frequently a euphemism for obstinacy, trade customs for pig-headedness. Neither traditional practice nor trade custom has an export value. High productivity has."

One of the objectives of the Technical Assistance Program was to teach Europeans—management and labor alike—that their fears of high productivity were groundless. The easiest and most convincing way to do this was by giving Europeans an opportunity to observe the actual demonstration at first hand. From all reports, they are beginning to put the new ideas and practices into effect. One Scotch foundry reported that it had increased production from 70 to 85 tons a week merely by rearranging plant layout and adopting different methods. For Europe as a whole, over-all industrial production by 1950 had increased 20 percent above prewar levels, and man-hour productivity is steadily increasing. In 1949 the average factory worker produced 25 percent more than he did in 1947. Part of this increased productivity may be attributed to the Technical Assistance Program, although it will be some time before results can be observed on any broad scale.

The United States has also benefited, for Technical Assistance provides an opportunity for men to share ideas in the fullest sense, to learn as well as to teach. To illustrate, Raymond M. Seabury, secretary of the American Drop Forging Association, was interested in at least 20 ideas proposed by the visiting British steel foundry team. And one visitor to a midwestern foundry pointed out that another type of chisel might do a better job than the one being used. When he returned to the foundry the next day he was surprised, and of course pleased, to discover that his idea had been adopted. "On the basis of every team to date, we get as much out of this as they do," concluded Webb Sparks, representative of the National Association of Manufacturers. His testimony accurately represents the feeling of other Americans—farmers, organized labor, management, and specialists in various technical fields.

THE PROBLEM OF INTERNATIONAL TRADE

Europeans and Americans alike understand that one of the keys to a healthy world economy is increased productivity in Europe. But increased productivity is only the first step. It is not in itself enough. If Europe cannot sell, it cannot continue to produce, factories will close, standards of living will fall, and the Marshall Plan will fail. A freer flow of trade is vital to the success of the Marshall Plan.

The Dollar Gap.

In 1949 the ECA sent to Europe a special mission to work with businessmen, labor leaders, and governmental officials on the problem of increasing European sales to America. The Report of the ECA—Commerce Mission, published early in 1950, begins with the following statement: World trade is fundamentally out of balance. Specifically, the trade of the United States with Western Europe, and with the world as a whole, is so badly unbalanced that in our own interest we must seek a fundamental solution of this recurring problem. Other countries simply are not earning enough dollars to pay for what they import from us. They have a 'dollar shortage.' We have a vast export surplus, which we maintain by subsidies at the taxpayer's expense. The problem from everyone's point of view is the problem of the 'dollar gap.' The foreign assistance programs such as UNRRA, civilian relief for occupied territories, and the initial phase of ECA have indeed supplied relief, repaired war damage, and speeded the process of reconstruction. But it is also true that these programs have perpetuated the dollar gap. Without these programs, or others like them, the gap would by now have been closed—at a low level of trade—through inability of other countries to obtain dollars to buy from us more than we bought from them. It is not suggested that such an outcome would have been desirable. On the contrary, these foreign assistance programs have been essential. They have given men food, hope, and tools; kept free institutions alive; prevented chaos. But it is time to look beyond salvaging operations. The dollar gap, it has now become clear, is a basic international economic problem. Apart from any reluctance Americans may feel about carrying financial burdens for others indefinitely, our international commitments reflect our desire and our considered determination to cooperate with other countries in finding real solutions for basic international economic problems. Not just stopgaps. While the dangerous implications of the dollar gap are only now beginning to be fully revealed, the gap has a history stretching back some thirty-five years. A brief look at that history will help to put the problem in its setting. From July 1914 through 1948 the United States exported goods and services to a value of $270 billion and imported goods and services to a value of only $169 billion. Thus we exported $101 billion more than we imported over this period.

The report from which we have just quoted at length continues with a more detailed analysis of the problem of the dollar gap, which is simply the difference between the value of goods the U.S. export and the value of goods the U.S. import. Now of course the United States can close the dollar gap at any time by the simple process of reducing its exports to a level where their value will be matched by imports. But a decrease of American exports would deprive foreign countries of products essential to their recovery, and it also would hurt American industry and employment. The desirable solution, obviously, is to close the dollar gap at the highest possible level of trade. By the summer of 1950, in part as a result of United States financial assistance to Western Europe's rearmament program, the dollar gap was temporarily closed in several European countries, but the dollar gap problem is a continuing one that will have to be faced again when the current international crisis is passed.

The Problem of the Europeans

Europe is, of course, in a far more difficult position than the United States. In prewar days the Marshall Plan countries earned dollars with their merchant fleets, from the tourist trade, and by selling manufactured goods to underdeveloped areas, which paid for the European goods in part with dollars earned from the sale of raw materials to the United States. Western Europe also carried on a vigorous trade with the agricultural areas of Eastern Europe. World War II shattered these long-established trade practices. Under the Marshall Plan, Europe, aided and encouraged by ECA, is seeking to restore them. What has been accomplished? What remains to be done?

Merchant fleets are being replaced, the tourist business has been revived, and European businessmen are energetically trying to recover old markets and win new ones. But the "East-West" trade between the predominantly industrialized countries of Western Europe and the predominantly agricultural areas of Eastern Europe has been severed by the Iron Curtain. To compensate for this loss, the Marshall Plan countries must win for themselves a much larger share of world trade than they enjoyed before the war.

They must also find ways to solve the complex currency problem, reduce tariffs, and eliminate other restrictions that seriously cripple intra-European trade. The European Payments Union is the first step to be taken toward accomplishing this goal. It is a technical operation aimed at currency convertibilty and the freeing of international trade, and it will bring the 276,000,000 people of the Marshall Plan countries a long way further on the road to a unified free trade area similar to that enjoyed by the 152,000,000 people in the 48 states of the United States.

The European Payments Union is, in brief, an attempt to create a new international currency unit, called an "ecu." We can perhaps visualize the need for such a currency by imagining what conditions would be like in the United States if each state had its own separate currency system. But the "ecu" is not a circulating currency. Actually, the European Payments Union is an international bank, a central clearing house, which keeps track of the credits and debits between countries. It also provides a stimulus to intra-European trade, for the "ecu's" have behind them $600,000,000 of Marshall Plan money, and when a nation earns a certain number of "ecu's" it can convert a specified proportion of them into dollars.

The Schaman Plan is another projected step in this progressive program. Representatives from France, Germany, the Netherlands, Luxembourg, Belgium, and Italy are currently working out ways to eliminate trade barriers in order that coal, iron, and steel—as well as steel products—can move freely from one country to another, much as they do in the United States. When this is done, costs will fall and these countries will be in a much stronger competitive position with the United States.

By these and other measures, the Marshall Plan countries are trying to increase intra-European trade. To the extent that Western Europe succeeds in stimulating the flow of goods across European boundaries, to that extent it will lessen its dependence upon American products and help to relieve the dollar shortage. But when everything has been accomplished that might conceivably be accomplished along these lines, Europe will still need American products, and this is important to the United States, which will always need European markets.

Tre Problem of the Americans

Contrary to an opinion shared by some Americans, the United States is not completely selfsufficient. It must import 30 of the 50 materials listed as essential by the Munitions Board; and only in 14 of these strategic commodities does the United States produce more than 20 percent of the minimum quantities required for national security. To the materials that Americans must import, should be added articles that they wish to import, such as Turkish rugs; French wines, laces, and perfumes; British cloth and china, Belgian glass; Swedish steel; and others, many of them in the specialized, non-competitive fields.

The United States must also export. From the American point of view, exports are important because they provide wages, profits, and dividends. In 1948 the export trade provided jobs for an estimated 2,364,000 American workers in the machine industries. The numerous American farmers whose products moved overseas should be added to this total. If the United States continues to export as large quantities of goods as it has done in the past, it must either continue to give or lend Europeans money with which to buy the exports, or it must accept a larger volume of imports. The latter solution, which relieves the American taxpayer of a heavy burden and permits Europeans to earn the dollars they need to buy American products, is the solution recommended by ECA, the United States Department of State and the United States Treasury Department, the International Trade Organization of the United Nations, and many other agencies.

In addition to increasing imports, Americans must invest more money in Europe and the underdeveloped areas, and travel abroad in even larger numbers than they have done in the past. If these things are done, Americans can greatly narrow, perhaps close, the dollar gap.

The government of the United States can do a great deal to insure the success of this program. It can continue to work for lower tariff rates, as it has been doing under the Reciprocal Trade program and through international conferences such as those held at Geneva, Switzerland, Annecy, France, and Torquay, England, in the past three years. It can continue to simplify customs regulations, reducing the red-tape that makes it difficult and occasionally impossible for foreign products to move into American markets. It can continue as it has done in the past, and as it proposes to do under the Point Four Program, to provide incentives for private investment abroad by securing agreements that will protect investors from arbitrary action and insure them the right to convert into dollars a certain return on their investments.

Furthermore, the government can eliminate, or at least modify, some of the present "Buy American" regulations. Insofar as state laws are concerned, the federal government can do no more than urge reconsideration. But Congress, if it chooses, can set the pattern by tackling the problem of federal restrictions.

For instance, as matters now stand, the federal government and many state and local governments, which annually spend about $10 billion for supplies and equipment, are required to "Buy American." Agencies of the federal government are prohibited from buying foreign materials, or goods manufactured from foreign materials, unless these products are unavailable in the United States or unless the prices of corresponding domestic items are "unreasonable." Now "unreasonable" has been interpreted to mean 25 percent more expensive than foreign goods, duty included. Obviously, this places an almost impossible obstacle in the way of the foreign producer who attempts to place a competitive bid in the United States. And it is just as obvious that these restrictions are expensive for the American taxpayer who is interested in seeing his government buy goods from the lowest bidder, all other things being equal.

By lower tariffs, simplifying customs regulations, and modifying current "Buy American" laws, the United States government can help to close the dollar gap and increase the flow of trade. Whether or not it acts along these lines depends, of course, upon the American taxpayers and their recognition of the effect of existing regulations on their personal economy.

THE ACHIEVEMENT

During the first two years of cooperative effort in the European Recovery Program, the Marshall Plan countries made enormous strides in retooling their farms and factories, and, what is even more significant, in boosting productivity beyond prewar levels. For example, Western Europe doubled its production of electric power—and 95 percent of the investment capital for the new plants was raised in Europe! Moreover, as we have already indicated, industrial production in the Marshall Plan countries as a whole is 20 percent above prewar levels, and agricultural yields again equal those of 1938. This increased productivity during 1948-1949 made it possible for Europe to raise its export volume by 50 percent and to bring exports to a level 10 percent higher than in prewar years. Inflation has been checked and the standard of living raised in several countries to the 1938 level. But these are cold statistics and sweeping generalizations. More meaningful are the actual projects that Europeans have carried on with the help of ECA dollars, their own counterpart funds, and the cooperation of specialized agencies of the United Nations, such as the World Health Organization (WHO), the Food and Agricultural Organization (FAO), the International Trade Organization (ITO), and others.

Health.

Health is a capital investment. One of the Marshall Plan's great contributions has been the improvement of health in Europe. Statistics cannot do justice to this story, which is one of human suffering and misery on the one hand, of health and hope on the other. In 1947 millions of Europeans were inadequately fed, clothed, and sheltered; they were faced with shortages of soap, medicine, and hospital materials of all kinds. To meet the crisis, food and medical supplies were given top priorities in the early months of the European Recovery Program.

Today the picture has greatly changed. The handful of activities listed below merely suggest the numerous ways by which, with Marshall Plan aid, Europeans have recovered former standards of health and are rapidly climbing to higher levels of achievement. There are projects on a relatively small scale: iron lungs flown to France and Italy to aid the victims of a polio epidemic; incubators installed in 19 Dutch hospitals to save the lives of premature babies and reduce infant mortality to a new low in The Netherlands. Projects of this nature, each small in terms of money spent and individuals helped, become impressive when they are multiplied by the hundreds and thousands.

There are projects involving entire countries: the French government's drive for the pasteurization and bottling of milk in an anti-tuberculosis campaign; the experimental program in Nigeria, carried on by British and American scientists, designed to control and eliminate the tropical scourge of "sleeping sickness," carried by the tsetse fly; the virtual elimination of malaria from large areas of Greece and Sardinia by spraying with DDT and draining the marshes—with thousands of acres of reclaimed, fertile land as an important by-product. There are other projects: cattle feed shipped to Europe to rebuild dairy herds and restore milk production to prewar levels, and higher; a new drug flown to France to treat sufferers from pernicious anemia; other drugs, such as penicillin and streptomycin, shipped to Europe, and equipment for producing them locally installed in a number of the Marshall Plan countries; ECA-financed machines, which cut the time for processing soap from five days to two hours installed in the Doboelmann Soap Works in Holland; fresh water systems for cities in Algiers and Italy, built with counterpart funds and designed to replace the older method of buying drinking water from street peddlers, who sold it, germs and all, for about one cent a gallon.

Housing.

It would have been ironical to try to improve the health of Europeans if, at the same time, efforts had not been made to provide shelter. Indeed, it was obvious from the outset that without adequate food, clothing, and housing the workers would lack the energy necessary to carry on the recovery program. Housing, like health, is a capital asset.

Take, for example, the port city of Le Havre, France. A terrible raid on September 5, 1944, left the city and harbor a ruined, blackened shell and the Germans destroyed the little that was left when they were driven out in the closing months of the war. About 12,500 of its 19,500 buildings were completely destroyed, and 4,500 more were damaged. By 1945 the prewar population of 165,000 had been cut in half, with only 77,000 people still clinging to life in the city, and many of them living in cellars, caves in the rubble, and temporary shacks built with scraps of lumber. Water and gas mains, light and power lines, sewers—all were destroyed. Today a new city, rebuilt with the help of counterpart funds and ECA dollars, is rising on the ruins of the old. And this is literally true, for the mountains of rubble now provide a foundation three feet higher than the old ground level.

Jump across the continent to Trieste, where the ECA approved an expenditure of two billion lira of counterpart currency to build 1,143 new apartments and to repair 23,572 others.

Or look at the Dutch city of Nijmegen, reduced to ruins by the Germans, now being rebuilt (not restored, for Dutch architects have planned a new and modern city to replace the old) with Dutch counterpart guilders.

American citizens, themselves faced with serious housing problems, have sometimes criticized ECA officials for approving housing projects abroad. The critics have not all understood that counterpart funds, not dollars, have financed these projects.

Agriculture.

The food situation, like health and housing, was critical when the European Recovery Program was started. Apart from purely humanitarian considerations, food was a capital asset, for undernourished men and women could not hope to rebuild Europe. Moreover, the loss of trade with the agricultural regions of Eastern Europe made it more important than ever for the Marshall Plan countries to increase food production.

Measures to solve this problem have ranged from small projects affecting a few individuals to programs involving large areas of a country. Representative of numerous small-scale projects is the sale of tractors, fertilizer, seeds, cattle feed, and equipment of all kinds to owners of farms.

There are larger projects in which the ERP is trying to substitute better farming methods and machinery for century-old practices and equipment. For example, in Morocco tractors and steel plows and cultivators are replacing camel-drawn wooden plows and farm practices similar to those used in the days of Mohammed, with the result that production has been increased in many places by as much as 700 percent. A second illustration of how the ERP is tackling this problem is the development of 4-H Clubs in Austria and elsewhere throughout Europe. Working together in small groups, the boys and girls of Europe learn, as American boys and girls learn, not only to farm better, but how to work and live together in a democratic society. A third method being used to encourage better farm practices is the Technical Assistance Program under which American agricultural experts have visited Europe and European farmers have been brought to the United States from Turkey, France, The Netherlands, Denmark, and other Marshall Plan countries.

American contributions to increased farm production in Europe also include the introduction of better seeds, such as hybrid corn (2,000 tons for Italy alone in 1950), and improved insecticides and "weed killers" such as "2 4D," called "the magic medicine" by Greek farmers.

Large areas of land are being reclaimed in many of the Marshall Plan countries. For instance, in The Netherlands, the people of Walcheren Island, which had to be flooded to block the Nazi advance during the war, have rebuilt their dykes, pumped out the sea water, and restored their houses and their land, while the Zuyder Zee reclamation project is reclaiming immense areas of fertile land. In France, thanks to the efforts of 650 owners of a desolate swamp who organized a corporation to clear and drain the land, about 5,500 acres of rich soil at the mouth of the Seine River have been put into production. Greece, with Marshall Plan aid, plans before 1952 to add to her resources an agricultural area about six times the size of the state of Rhode Island, increasing her total arable land by 10 percent. Italy has given land reclamation projects a top priority, and when current plans are completed the Italians will have added several million acres of arable land to their economy by draining swamps and irrigating arid regions. Throughout Europe similar projects are being carried on, all partially financed and made possible by American aid.

Industry.

As we have seen, by the summer of 1950 Western Europe's rebuilt industries were producing 20 percent more goods than they had in 1938. For the story of how this has been accomplished we must travel from one end of Europe to the other, looking at make-shift shops owned and manned by individuals, as well as at huge mills and factories corporately owned and operated.

The value of ECA aid to any given project cannot be measured in terms of the dollars involved. In Iceland, for example, the delivery of one electric wool-washing machine capable of washing the island's entire wool output (about 600 metric tons annually) has restored the island's entire wool industry. Or take the case of Mr. Hansen, the Danish bicycle manufacturer, who, through inability to get ball bearings, had no alternative but to close his factory. He had the necessary money, but in kroners, not in dollars. His appeal to the Danish government produced immediate results. The ball bearings were flown from the United States to Denmark on an emergency order and the bicycle factory continued in production. To show his gratitude, Mr. Hansen named his product the "Marshall Bicycle," and sent four to the United States as gifts to American school children. Or take the case of the Dutch war veteran, who, because of war-incurred disabilities, was unable to return to his old trade of carpentry. He began to make folding rules in a shed behind his house, using a washing machine motor to drive a circular saw. Today, with machinery secured through the ECA, he operates a prosperous business, exporting many of the folding rules to countries overseas.

The Marshall Plan has touched almost every aspect of Europe's numerous and varied industries. The fishing fleets of Denmark, as well as those of Greece and Trieste, have been rebuilt and equipped with new nets, depth recorders and other devices converted from war purposes; laboratories and offices have been provided with scientific apparatus and office machines; the textile industry of Austria, so badly hit by the war that at one time schools were closed during the winter because children had no warm clothing to wear, has been restored to 1938 levels of production with the aid of new machinery and supplies of raw wool, cotton, and rayon; mines, oil refineries, and steel works from Turkey to Norway are turning out an ever-rising volume of raw materials for Europe's industrial machine.

Transportation and Power.

The revival of Europe's economy would have been impossible if the European Recovery Program had not pumped new life into the arteries of transportation and built new power plants to drive the engines and the factories. Symbol of this type of reconstruction is the huge railway terminal at Rotterdam, now rising out of the ruins. Along the route of the historic Appian Way between Rome and Naples, which was an artery for the armies of World War II, new bridges, modern housing, and new stations are being constructed. The Corinth Canal, an important trade route between the East and West, destroyed during the war, is once again alive with shipping; on the ancient Rhine new giant hydro-electric plants are being constructed; the equally ancient Rhone also is being harnessed to add two billion kilowatts of electricity to the French power supply, and to bring life-giving water, carried through irrigation canals, to large areas of southeastern France.

All this, and much more, is the story of the Marshall Plan at work in Europe. It is the story of how Europeans by tremendous effort, aided by their own counterpart money and American dollars, equipment, and advice, are rebuilding a large part of a continent. The record is visible everywhere.

ECA AND THE FAR EAST

Just as the European crisis of 1946-1947 focused attention upon Europe and produced the Marshall Plan, so the Korean crisis of 1950 focused attention upon Asia and convinced millions of Americans that a program of equal ingenuity was needed for the Far East.

ECA officials and other government leaders did not need the rude jolt of Korea to bring them to this conclusion. From the first days of the Marshall Plan they had been aware of the fact that European recovery was ultimately dependent upon

peace and economic health in other areas of the world, including the Far East. By mid-1950, when the eyes of the world were turned toward Korea and all of Southeast Asia, ECA had, with limited resources for the purpose, already studied the problem and developed certain techniques for solving it.

The Problem.

There are in Asia about 800,000,000 people who "could teeter toward the West—or totter toward the Kremlin," Eric Johnston recently declared. These people, he added, might have "large misgivings about Communism, but I haven't noticed any wild enthusiasm among them for the West, either before America came into Western world leadership—or since."

America's job is to make sure that these hundreds of millions of Asians will "teeter" toward the free world. Europe, and to a lesser extent the United States, needs the raw materials and the markets of Southeast Asia. Moreover, before a balanced world economy can be secured, productivity and living standards must be raised in the underdeveloped areas. And, finally, national security and world peace itself depend in large part upon the solution to the Asiatic problem.

The race today, in Asia as elsewhere, is between Communist promises and democratic performance. No informed person thinks that it will be an easy race. During several centuries of Western imperialism, the people of Asia learned to distrust the West. The Communists are doing everything in their power to fan this distrust into a consuming fire. The Communists are also trying to convince the Asiatics that only through Communism can they hope to win the revolutions now convulsing the Far East.

The term "revolutions of rising expectations" has been used to describe the mass movements through which the huge populations of the Asiatic countries are seeking to improve their living conditions. The Asiatics want larger opportunities to secure better food, clothing, shelter, health, and education. They are demanding a larger share of the fruits of their labor. If they do "teeter" toward the West, it will be because they are convinced that as free partners in the free world they can best satisfy their basic wants and realize their "rising expectations."

ECA Activities in the Far East.

With the passage of the China Aid Act of 1948, Congress selected ECA as the agency to begin the attack upon this problem. In the act, Congress authorized a Joint Commission for Rural Reconstruction in China. The commission, composed of three Chinese and two Americans, immediately went to work. But let Harlan Cleveland, Deputy Administrator of the China Program, tell the story:

One of their first steps was to visit around in the farming areas, talking to individual peasants. They were trying to find out what the "felt needs" were. The farmers told them, and some of the Commission members were surprised to find that the average Chinese peasant was mostly interested, not in increasing the amount he produced, but in the distribution of existing agricultural income—not in the size of the pie, but in his slice. That wasn't how they said it, of course. They spoke of cruelly high rents and short insecure tenancy contracts. They described marketing arrangements that left only a minor part of the crop for the producer himself, and extortionate interest rates that took most of what was left. Although the Communists were making a great show of liquidating landlords and dividing up their land, the Commissioners found tenant farmers more interested in getting a fair share of what was produced than they were in undertaking all the obligations of land ownership

So the JCRR talked the governments of several Chinese provinces into enforcing drastic reductions in rents—typically from 60 percent to 37½ percent of the crop—and putting into effect a longer-term lease that gave some feeling of security to the tenant.

Almost immediately the JCRR found the farmers developing a great interest in improvements that could help increase productivity. Now that the landlord wasn't going to get most of it, an increase in yield began to look mighty attractive.

As the JCRR's technical assistance program got into full swing, the Commissioners learned some more useful lessons about how to conduct a real grass-roots operation in Asia. They found there was a great advantage in dealing with local groups that had already done something for themselves, and were not just looking for a handout. They found that a technician was little use unless he was backed up by some material aid. Benefits, political and otherwise, began when the dyke actually was built, not when a foreign expert wrote a report showing how it ought to be done if somebody could find the money.

And when the Communist invasion reached into Szechwan and Kwangsi and Fukien where the program had been operating, they found that the real grass-roots resistance to the invaders came for the most part from the very countries where the program had gotten ahead most rapidly.

Driven from China proper by the Communist conquest, the Joint Commission on Rural Reconstruction promptly applied its newly-learned lessons on the island of Formosa. This effort, coupled with a commodity aid program, has resulted in lower land rents and increased rice production, both essential for a workable economy on the island.

Meanwhile, in 1949 ECA inherited from the Army the job of helping South Korea get on its feet. Within a year industrial production had risen 65 percent and the people were producing enough food to permit some exports.

Encouraged by these early experiments, and increasingly aware of the need for immediate action, the Department of State in the spring of 1950 sent a mission to Southeast Asia. Headed by Allen Griffin, a California publisher and editor, the mission returned with strong recommendations for a vigorous program of United States economic and technical aid. In line with these recommendations, ECA missions were organized for Burma, Thailand, Indo-China, and Indonesia. Thus, before the Korean crisis ECA had quietly laid the foundations for a greatly-expanded program of economic aid to the Far East. And as a result of the recent Bell Report on Economic Conditions in the Philippines, ECA is also establishing a mission there to aid in building health and restoring economic stability.

When, on June 25, 1950, the Communists launched a violent attack upon the Republic of South Korea, the United States and the United Nations, separately and jointly, were forced to revise drastically their policies for the Far East. Supported largely by American blood and treasure, the United Nations moved at once to drive the aggressors from Korea. This action "marked a turning point in history, for it showed the way to an enforceable rule of law among nations," Secretary of State Acheson declared in an address before the General Assembly of the United Nations on September 20, 1950. But, he continued, military action it only a prelude to the larger problems that we must face and solve. For years, he pointed out, the United States and other countries, working individually and through the United Nations, have been waging the war against want. "Now a vast opportunity awaits us to bring, by such means as the United Nations have been developing, new hope to millions whose most urgent needs are for food, land, and human dignity. These efforts, and this experience if concentrated on areas of particular need can have a combined impact of exciting proportions.

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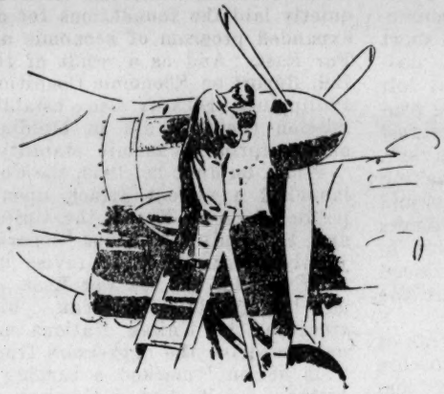

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ECONOMIC DEVELOPMENT PROSPECTS OF INDIA

by B. K. Madan

(Executive Director for India of the International Monetary Fund)

Present Pattern and Prospects of Economic Development

To some degree — perhaps to a considerable extent—the problem of the domestic financing of economic development varies from country to country with the state and character of economic development attained by the country. It will, therefore, be in order to set out briefly the broad elements of the economic pattern, which should form the necessary background for a fuller consideration of the problems of domestic financing of economic development. The size and complexity of the problems involved, for a country as large as the whole of western Europe together or well over one-third the size of the United States, inhabited by one-sixth of the human race, make of even the financing of economic development too large a subject to be compressed easily within a few pages. One must, however, resist the temptation to stray into giving an account of economic development as such, and content one's self with only a brief description of the present stage and type of economic development and the structure of the economy, in order to set the problem of financing in perspective.

With a population of 304 million and a density per square mile of 246, as against 4.8 in the United States and 703 in England and Wales, India is predominantly an agricultural country. Over four-fifths of the population is dependent for its livelihood on agriculture (mostly small-scale) and associated employments; a little over 10 per cent of the population is employed in industry, of which only 1 per cent is dependent upon large-scale industry; transport and trade together account for a little over 7 per cent of the employed workers, while public administration and the liberal arts employ less than 3 per cent of the working population. The preponderance of agriculture and small-scale industries, which use only a small amount of capital over and above human and animal labour — the number of cattle and domestic animals is the largest of any country in the world— emerges as the outstanding fact in a broad survey of the economy. The size of the average agricultural holding varies from 2.5 to 12.2 acres per cultivator, compared with 148 acres per cultivator in the United States, 62 in England, 40 in Denmark, 26 in the Netherlands and 14.5 in Belgium. The yield of agriculture per unit of area is also low. In consequence, the per capita income is among the lowest in the world.

Withal, the country has a fairly well developed, functioning system of basic public services, and some of the large-scale industries, representing huge aggregations of financial and material capital, are among the largest units in the industry— for example, in steel—operating outside the United States. The country also has a large economic potential, with fairly extensive areas of uncultivated waste lands which could be pressed into economic use with additional mechanical aids and better water supplies. There are also possibilities of increasing the output of agricultural crops on existing lands through more intensive cultivation based on larger supplies of fertilizers and water. There are hydro-electric resources in the waters of the great rivers and very large deposits of coal, though not of the highest grade. There are ample deposits of iron ore, manganese, mica, bauxite and other minerals. Among the most promising of the Government's economic plans are the several great river valley projects and irrigation schemes that are under way. They are expected not only to bring large new areas of land under cultivation, but to assure regular water supplies and thereby to increase the productivity of large areas which have hitherto depended on precarious rainfall. Better waterway communications and the generation of hydro-electric power for diversifying economic activity also hinge upon the successful completion of these schemes. It is not the purpose of this note to describe either the potentialities of economic development or the country's plans in that direction. But it will be of interest to illustrate the various gradations of planning, with reference to the number and cost of irrigation plus hydro-electric projects which are in prospect and under execution. The over-all plan of the Government embraces 160 projects estimated to cost the equivalent of US 2,700 million (mostly in local currency), while a seven-year plan comprises fifty projects costing the equivalent of 1,700 million. Of these, twenty-eight projects estimated to cost 800 million are already in the process of execution. Other plans of the Government relate to the expansion of transport, the improvement of communications and increases in the capacity of existing industry, as well as the building of new and additional industrial capacity, notably in steel and chemicals.

At this stage, it is perhaps useful to refer to the broad framework within which future industrial development is expected to evolve, under the Government of India's declaration of industrial policy of April 1948. Under this policy industries are divided into three categories, namely, those operated as government monopolies, those left to private enterprise and those over which the Government will exercise control. The manufacture of arms and ammunition, the production and control of atomic energy and the ownership and operation of railway transportation will be the exclusive monopoly of the central Government. In regard to six industries —coal, iron and steel, aircraft manufacture, shipbuilding, the manufacture of telephone, telegraph and wireless apparatus excluding radio receiving sets, and mineral oils—the Government alone will be responsible for new undertakings but may receive the co-operation of private enterprise. Management of government enterprises will generally be through public corporations. The Government has decided to permit existing undertakings in these fields to develop for a period of ten years. (According to pronouncements of policy, since issued, the prospects of nationalization of existing enterprises seem to have receded into the more distant future for the time being.) As regards the generation and distribution of electric power, the industry will be regulated in terms of the Electricity Act of 1948, which represents a compromise between full-fledged government enterprise and unregulated private business. The following eighteen basic industries will, subject to regulation and control, be in the sphere of private enterprise: salt; automobiles and tractors; prime movers; electrical engineering; other heavy machinery; machine tools; heavy chemicals, fertilizers, pharmaceuticals and drugs; electrico-chemical industries; non-ferrous metals; rubber manufactures; power and industrial alcohol; cotton and woollen textiles; cement; sugar; paper and news-print; air and sea transport; minerals; and industries related to defence. The rest of the industrial field, which constitutes the fourth category, will normally be left to private enterprise— individuals, co-operatives and corporations. The declared policy of the Government, therefore, clearly reflects the need to develop, through governmental initiative, certain industries which otherwise would not develop and to leave the field free where private enterprise is likely to be attracted.

All this relates, for the most part, to the sphere of large-scale industry and other development programmes involving heavy capital investment and a potentially significant sector of the country's economic activity. It is well to remember, however, in relation to the problem under consideration, that the main stream of economic life in the country derives for the time being only an insignificant portion of its sustenance from these new, potentially productive, but in the main prospective, sources of wealth. At any rate, the expansive possibilities of these spectacular new sources of economic strength and prosperity have to be accompanied by a great deal of complementary action, carefully worked out and executed, and, at least in part, translated into practical terms of greater efficiency and higher productivity of the labour of the man behind the plough or the pair of hands on the loom.

Financing Economic Development

It is to the financing of these developments that it is necessary here to address ourselves in particular. The following pages deal with the more significant sources and methods of finance for economic development in the main sectors of the country's economic activity and indicate roughly the order of relative importance of domestic and foreign financing in the main branches of modern economic development where foreign financing has played an important role.

Agriculture

Agriculture in India is primarily conducted by small-scale peasant proprietors and occupancy tenants, (tenants on a long-

term basis), while a small proportion of the land is also cultivated by temporary tenants or by labour under the direct supervision of the ower. The land tenure systems of India are diverse and complex, but the trend is toward simplification, in the direction of enhancement of the status of the actual cultivator of the land and the elimination of the hosts of intermediaries who under some of the systems intercept a good deal of the profits of cultivation. The reform of land tenures during the last ten years or so, ever since the popular governments assumed charge of the provinces, has been an outstanding development in the agrarian sphere—comparable to another development which is also not without considerable significance for economic development, namely, the absorption and integration of the Indian states with their divergent economic and fiscal systems into the common economic and fiscal structure of India. But agriculture in India remains small-scale, individualistic and comparatively primitive in methods of cultivation, in implements used and in the organization of the supply of the farmer's requirements and the sale of his produce.

It follows that the amount of capital employed in agriculture is relatively small; the main objects of capital investment are farm buildings, embankments, wells and irrigation channels, draught bullocks, and implements and seed, apart from shelter, clothing and food for the farmer and his family. The farmer relies for such financing partly upon his own resources and savings, which in recent years of high prices have been large enough to look after his normal needs as well as to repay his debts. Arrangements for the proper financing of agricultural production and development cannot, however, assume an indefinite continuance of this exceptional run of good fortune, and indeed, the more normal pattern for a consideration of the problem of agricultural finance is indicated by the traditional cycle of good and bad years, taking output and prices together. In this normal pattern of recurring economic adversity, the agriculturist found himself getting deeper and deeper into debt to the private money-lender, who has for a long time formed an integral part of the rural economy of the country. The illiterate farmer who was slow to learn the virtues of thrift traditionally relied upon this more intelligent and thrifty member of society, who had always an eye upon his opportunities for profit in a situation where the high risks of money-lending were associated with high interest rates. The situation in this respect worsened, particularly after the growth of protection for individual property rights during the British regime. The attention of governments in India has been powerfully focussed upon the evils of private money-lending, and the liquidation of agricultural indebtedness, the reform of private money-lending and the introduction of improved systems of rural credit and finance have had a high place among the economic reforms effected more particularly by the democratic governments which took over the administration of the provinces after the partial transference of political power in 1937.

The growth of the co-operative credit movement, limited though it has been in range and effect, has been a principal positive factor in the suppression of the worst evils of private usury and has opened up the most promising line of solution, not only of the agriculturist's problems of credit and finance, but also of the general rural economic problem. The dimensions of the co-operative credit movement, as it is called, are not large, relative to the traditional sources of financing in agriculture; its resources would comprise about 15 per cent of the total financing requirements for agriculture, which are still predominantly met by the now somewhat reformed private money-lending class. It covers the supply of short-term finance for the small working-capital needs of the farmer as well as—in some provinces more than in others—the supply of long-term finance through co-operative land-mortgage banks for land improvements which yield returns over a longer period. The influence of the co-operative movement, however, is wider than in the sphere of credit, and in many ways the most hopeful kind of co-operation is stated to relate to the multiple-purpose co-operative society. A conclusion which has impressed the student of rural reconstruction efforts during the last few decades is that problems of finance in relation to economic development in agriculture are subsidiary to problems of the over-all organization of the economic efforts of the cultivator, with a view to promoting greater efficiency and increased productivity in the business of farming. Cheap and easy credit has often enough been the ruin of the thriftless individual farmer, who has used this double-edged sword to his own undoing. What he requires is cheap, but controlled, credit and the better organization of the purchase of his agricultural requirements as well as of the sale and marketing of his produce—in short, the more efficient conduct of farming, which is not only a business but a way of life. The co-operative movement, with its network of provincial co-operative banks, district co-operative banks and primary co-operative societies, furnishes the basis for broader attention to these problems. We may conclude the brief treatment of this phase of the survey of the financing of economic development by stating that a proposal to set up an Agricultural Finance Corporation, to complete the apex of the financial structure in this sphere, is under consideration at present. So far, the Agricultural Credit Department of the Reserve Bank of India acted as a clearing house for information and has tried to explore ways and means of securing greater access on the part of the provincial co-operative banks to the credit facilities of the Reserve Bank of India (the central bank of the country), the availability of which has so far been restricted by a deficiency of the instruments which are appropriate for discounts or loans by the central bank.

Attempts to bring the indigenous bankers—who act as bankers as well as sources of finance for the large body of private money-lenders and, together with the latter, form the so-called indigenous banking system with country-wide ramifications—into the orbit of the central bank of the country have also so far failed of accomplishment. There continue, therefore, side by side, the indigenous banking system, itself somewhat loosely organized, and the modern banking system with the central bank at its head, with only a partial and ineffective link between the two.

Over and above the private agencies of financing, the Government has had a long history in India of direct loans to the agriculturist, though these have been for relatively short-term requirements of working capital.

On the whole, there has been considerable improvement in the machinery for providing the normal financial requirements of Indian agriculture: the rates of interest are lower, the credit provided through the co-operative banks is related to the needs of agriculture and exercises a healthful influence on rural finance, far wider than the direct range of its impact. More recently, with high prices for agricultural produce, there has been a plethora of funds with the co-operative banks and other rural credit agencies while the needs of the agriculturist for financing his normal operations have declined significantly with the growth of his own resources.

It is, however, in relation to developmental activities proper that the resources, and also the normal sources of finance, of the individual agriculturist have been inadequate. In the past, the largest projects of economic development in the sphere of agriculture related to irrigation schemes involving huge sums of money and mobilization of equipment and personnel on a scale which, under conditions in India, the Government alone could cope with. The Government relied upon public borrowing by the central Government and loans to the provincial governments, which were in direct charge of schemes of agricultural development. Almost all the irrigation schemes have been productive, and provincial governments have found in additional taxation the means to repay the interest and principal of the loans they raised from the central Government for their initial financing. Broadly, the position remains the same: the largest developmental projects in the field of agriculture relate to important river valley schemes for expanding irrigation facilities for new and old lands and for generating hydro-electric energy. The financing of these has to be arranged for by the Government. The Government would depend upon borrowing in the domestic market to secure the funds necessary to execute such projects.

Another important category of project for the improvement of land relates to the consolidation of fragmented holdings so as to give the farmer an economic unit for his agricultural operations. Under the inheritance laws of the country, the agricultural holding is divided at the death of the holder equally among all his male heirs. This practice not only has led to reduction in the size of individual holdings below what is necessary for a satisfactory subsistence, but has resulted in holdings consisting of widely scattered and fragmented parcels of land—thus raising the costs and reducing the efficiency of cul-

tivation. One of the important lines of improvement in agriculture is to give the agriculturist a compact economic holding. Progress has been made in this direction, but much more remains to be done. Apart from a great deal of other preparatory work that has to be done in this connexion, it remains beyond the individual agriculturist's resources or the competence of his normal agencies of short-term finance. Longterm loans from land mortgage banks and special co-operative societies for the consolidation of holdings can be of help in the matter, particularly since a considerable increase in the facilities for financing the long-term improvements which become possible once a holding is consolidated is necessary if the process is to yield results in better agriculture and increased productivity.

Projects of land reclamation and regularization of water supplies through schemes of tube-well irrigation, which are expected to have quicker results than large long-term irrigation projects, are other phases of economic development in agriculture for which special financing would be necessary. In view of the nature of the projects in respect of which the main initiative is being assumed by the Government, the internal financing of such economic development will depend upon the machinery of borrowing by provincial governments, either directly from the market, or indirectly through the central Government.

(2) Small-scale industry

Cottage industries of the handicraft type have always had, and will have, an important place in the economic development of the country. These industries require relatively small capital investment and are managed and operated by the individual artisan, often with the assistance of his family. They are numerous and varied in character—some ancillary to agriculture, others independent, but based on simple raw materials available in the countryside and catering to the diverse wants of the community. Such, for example, are the making and repairing of implements, sheep-rearing, dairy-farming, bee-keeping, weaving, dyeing, sericulture, metal-working and the making of brass and copper utensils, cutlery, gold and silver threads, embroidery, brown sugar, soap, furniture, pottery and statuettes. The problems of financing the development of small-scale industries are in many ways similar to those of financing agriculture, alike in respect of the more recent growth of institutions — co-operative or government-sponsored — which seek to improve the status and increase the income of the worker and to reduce the middleman's charges that act as a brake on production as well as on the expansion of demand. By its very nature, financing of this large sphere of economic activity is entirely domestic, and problems of economic development in the sector are as much problems of organization as of finance.

(3) Large-scale industry and trade

We turn now to consider the sector of modern economic development which is potentially perhaps the most significant. Modern economic development in India, apart from expansion of the facilities of basic public utilities, can be conveniently classified into the main categories of (a) transport, including rail, road and other inland transportation and shipping, (b) large-scale agricultural plantations, (c) mining, (d) manufacturing, (e) trading and (f) banking, insurance and finance.

The relative extent of domestic and foreign financing varies widely among these different categories; important changes have taken place recently. Before the war, the railways of India represented about the largest concentration in any single line of economic activity of foreign capital, mostly British. This position has now been completely changed; the entire railway debt has been repaid, and Indian railways—entirely government-owned and mostly government-operated—are probably about the largest government enterprise outside the Union of Soviet Socialist Republics. The financing of further development raises more important problems in the sphere of foreign financing than of domestic financing owing to the very heavy proportion of imports in the total requirements of additional equipment for expansion. Such domestic financing of railway expansion has, in the past, been provided from the profits of operation of the railways, which are a productive asset.

The further development of road transport, which provides a considerable field for private initiative, involves important problems of integration of government efforts, in the construction of new and the maintenance of existing roads, with private enterprise, which is largely entrusted with the operation of road transport systems. Here, too, the sphere of government operation has grown steadily, owing to the need for the co-ordinated expansion and operation of rail and road transport facilities and systems. The problems of financing, therefore, lie in the sphere of both government and private financing. The private finances for road operation companies are raised on an individual and partnership basis, or from a wider group of subscribers through the corporation device.

Indian shipping has only recently acquired a substantial share of the coast-wise trade and is just beginning to participate in the long-distance foreign trade of the country. The larger shipping companies are joint-stock concerns which have had little difficulty in raising the necessary capital through subscription to their shares. Individual shippers also operate in the coast-wise trade of the country.

The large-scale agricultural plantations comprise the tea, coffee and rubber estates, which have had a high proportion of foreign (British) investments. During the war, the process of transfer of the ownership of these concerns to Indian hands had been going on apace, but no quantitative estimates of the relative share of Indian and foreign participation are forthcoming. The Reserve Bank of India recently undertook a census of foreign investments in the country, and when the results of this census are known, much interesting and valuable information in this field should come to light.

In mining, again, particularly in the mining of coal, gold, manganese, petroleum and mica, which represent a large portion of the investment in this field, the majority of the important mining companies were, until the beginning of the war, controlled by foreign capital. Here, too, the process of transfer from foreign to Indian ownership has been going on.

Manufacturing includes important groups of enterprises like jute and cotton mills, and sugar, paper, match, cement and glass factories. These are preponderantly financed by domestic capital, and their capital requirements are met, in some cases, by the peculiar institution of long-term deposits by individuals (for example, in cotton mills), by the managing agency system, or by the many and notable banking institutions, again predominantly Indian-owned, which have come up rapidly in the last two or three decades. Although foreign capital still has a significant share in manufacturing activities, for example, in jute mills, and in trading, particularly in houses conducting the country's foreign trade, domestic financing and management are increasingly replacing foreign sources of finance as well as management in the sphere of the country's modern economic development. The capital and deposits of Indian joint-stock banks now greatly exceed those of foreign exchange banks, which are branches of banks incorporated abroad and operating in India. Indian insurance companies now form an important channel for the mobilization of the savings of the people; they dominate the domestic field, though in the sphere of foreign trade insurance foreign companies still predominate.

The requirements of private enterprise in industries, as far as capital is concerned, fall broadly into two classes, block capital and working capital, but there is a third category of intermediate or medium-term requirements, since a portion of the working capital is of a semi-permanent nature. As far as block capital is concerned, industry in India has generally raised it through common stock or, occasionally, through debentures. Some Indian industries have followed a system of accepting private deposits, part of which they have used towards block capital. The working capital is generally provided by the banking system, the resources of which have grown rapidly. Banks either make loans or give short-term credits through current account overdrafts to meet the current finance needs of industries. It is in respect of the medium-term requirements of industry that commercial banks could play a larger part. Although the resources of commercial banks are short-term in character and cannot be committed for very long periods, a moderate fraction of the resources of the larger banks could, without undue risk, be devoted to the requirements of industry which are neither for very short nor for very long terms.

So far as the provision of block capital is concerned, in May 1943 the Government instituted control of floating new issues of capital (though small amounts were exempted from such restriction), first with a view to directing savings into war loans, and, latterly, with a view to preventing the mushroom growth of industries and excessive competition for scarce resources. The policy has, however, been fairly liberally administered.

Generally, larger enterprises meet with less difficulty in raising block capital than smaller ones, and an objective of government policy has been to aid the small enterprises, where they deserve help, through provincial industries departments and industrial loan acts.

For the rest, the financial institutions which play a prominent part in providing long-term and short-term capital are mainly banks, investment trusts and financial corporations. At the end of 1947 the total number of banks (affiliated with the Reserve Bank of India) was 639, with paid-up capital of Rs 450 million, and with 4,949 offices. The advances made by these banks as of that date amounted to Rs 4,250 million and their deposits totalled Rs 10,720 million. The advances of these banks were made to industry against stocks or goods in process and to trade against stocks. Banks in India generally do not finance block capital although they do carry small portfolios of industrial securities. The bulk of the block capital of industries, therefore, is raised through public issues or private placements. Public issues are generally made through invitation to the public to subscribe to capital. Private placements are made with influential capitalists. But in either case the stock exchanges in India, particularly the important ones like those in Bombay, Calcutta and Madras, provide the facility of transfer of capital, and the existence of a chain of stock exchanges facilitates the floating of new capital.

Altogether, these institutions have been very helpful in raising capital for enterprises that are promoted by known industrialists or that carry limited risk. Where the enterprises are promoted by men who possess the necessary "know-how" but who do not enjoy established reputation with investors, or where the enterprise though essentially sound carries greater risk and resort to the market is not so easy, special assistance is necessary. Partly to remedy a lacuna of this kind and to help finance industrial enterprises which would have some difficulty in obtaining necessary funds through established institutions, the Government of India in 1948 established an Industrial Finance Corporation with an authorized capital of Rs 10 crores. The capital of this corporation is held partly by the Government and partly by the Reserve Bank of India, scheduled banks and insurance companies, investment trusts and similar institutions and co-operative banks. The capital of the corporation has been guaranteed by the central Government as to the repayment of the principal and the payment of the annual dividend. The corporation is permitted to guarantee loans raised by industrial concerns or to make current loans or advances to them. During the year following its establishment the corporation extended loans amounting to Rs 14 million. An attempt is being made to establish similar corporations, though on a smaller scale, in the provinces.

No account of the methods of financing economic development in India would be complete without a reference to the commercial organization peculiar to India known as the managing agency system. First developed in the middle of the last century, its influence grew steadily until it extended deep into the country's industrial, agricultural, banking and commercial life. Managing agencies can best be described as partnerships or private limited companies, formed by a group of individuals with strong financial resources and considerable business enterprise. They handle the pioneering and research work, promote joint-stock companies, employ their own funds and arrange for widespread financing by acting as guarantors. They also provide the management, and act as agents for marketing the produce of their manufacturing interest and for the purchase of raw materials, stores, machinery and equipment. The financial assistance rendered by managing agents is usually either in the form of direct loans, or as guarantors for advances made by joint-stock companies. The motivation for these diverse functions has lain in the "shyness" of capital, the lack of investment trusts and industrial banks and the lack of enterprise and experience in management in the earlier stages of development. The managing agency system was confined to European firms originally, but its use was gradually adopted by Indian concerns. Today it is in general use throughout the country, though the most important examples are found in the leading commercial centres of Calcutta, Bombay and Madras. Some of the managing agencies control up to eighty different organizations; and the activities of affiliated companies under one agency may include such diversified lines as tea estates, railways, collieries, banks, insurance and shipping firms and others. The managing agency type of organization filled a real need in the country's economic life at the time it developed. However, the growth and increasing specialization of the country's commerce are reducing the usefulness of the managing agency system, and its influence will gradually decline. The Government has sought to control some of the evil features of the system through legislation, and the development of alternative sources of finance has also acted as a healthful influence on the more questionable practices of the system.

Broad Appraisal of Methods of Financing

In a broad appraisal of the results achieved by the various methods employed, one is struck by the fact that, just as the degree and character of economic development have to be adapted to the economic environment and the available economic resources, so the methods of financing have to be adjusted to the nature of the development for which such financing is sought. A reformed and renovated indigenous banking system which has the advantages of a personal touch and an interest in the borrower's problems, co-operative credit systems which encourage the best traits in the farmer's character and restrain the worst elements of individual money-lending, land banks for long-term finance, co-operative sale and purchase societies, commercial banks for the financing of trade and short-term requirements of industry, industrial banks for the longer-term financing of industry, stock exchanges and investments trusts—each of these institutions and methods has its peculiar contribution to make to the financing of economic development in a complex community. More important than the methods employed, which must continue to be varied and specialized to fit the requirements of different situations, are the broad underlying factors which condition the level of savings and capital formation in a community. The inadequacy of financing facilities is fundamentally traceable to the low level of savings and the shyness of capital (or the propensity for hoarding), while insufficient economic development may be due to deficiencies of initiative, enterprise, technical ingenuity and industrial leadership or to limitations of economic resources. Generally the situation will be found to be characterized by a vicious (or virtuous) circle of low incomes, low savings, low capital formation, low rate of economic development and low incomes again.

More concretely, the shortcomings of the existing situation in regard to the domestic financing of development may be summarized thus: (a) interest rates are relatively high; (b) it is difficult for the small entrepreneur to obtain credit; (c) in the case of the managing agency system, the provision of finance is accompanied by too much control over enterprise and too high a share of profits; and (d) more fundamentally, difficulties of financing may also be due to the low productivity and profits in industry in the present state of industrial techniques and technical efficiency.

High rates of interest are due in part to the lack of banking facilities and the resulting immobility of funds and in part to the risks attached to some forms of financing; the spread of banking facilities has been fairly rapid during the last few years, but it is doubtful if investing habits are being inculcated among the masses of the population to anything like the same extent. This remains one of the unsolved problems, and it will, it is expected, yield to education and propaganda over a long term of years.

Difficulties of the small entrepreneur are being attended to more assiduously by industries departments, but in this as in direct governmental assistance through other spheres, finance by itself is not the "Open Sesame" to new frontiers of economic development. Pervasive improvement in technical ability, and the multiplication of technical contrivances peculiarly suited for operation by the small-scale worker, are the sine qua non of successful industrial development through the small unit.

The evils of the managing agency system arose primarily out of the shortcomings of the environment in which it worked. No legislation can completely cure institutional defects nor act as a substitute for a higher general level of ability and enterprise in the population. This, then—an improvement in the general ability and technical capacity and efficiency of the population—is a prerequisite to a more satisfactory rate of economic development. The mere proliferation of the machinery of financing will not achieve durable results in this direction.

The improvement of the machinery of financing does, however, remain important, and in this respect various countries may profit by the example and experience of other countries with a different or

more complete institutional set-up for the domestic financing of economic development. In general, it will be found that a complex economic community requires a diversity of institutions, especially adapted to suit the requirements of different types and sectors of economic development. In India it has been found, in general, that the co-operative solution is more suitable for small and relatively backward individual enterprises which require a certain paternal and protective care, and the wide extension of commercial financing facilities is better adapted to meet the requirements of larger, well-managed enterprises.

The above observations concerning improvements in the machinery of finance relate to the private sector of economic development. The foregoing brief survey, however, indicates that a good deal of the initiative for economic development, particularly in economically under-developed countries, comes today, and probably has to come if the process is to be deliberately accelerated, from the Government. No assessment of the efficacy and adequacy of domestic financing facilities in a country would, therefore, be complete without reference to the role of the Government and to the policies which are most conducive to the encouragement of savings and capital formation—which ultimately condition the capacity of both private and public (or governmental) agencies to promote the better financing of economic development.

In this connexion, it is of great importance to under-developed countries to destroy a current fallacy which retards the speedy and rational development of the economies of under-developed countries. This is that "forced" saving is necessary to supplement the low level of voluntary savings in a poor community, and deficit financing can be the means of inducing such forced savings in the interest of a more rapid development than the rate of voluntary savings makes possible. Given the fact that a certain rate of development expenditure is incurred by the Government, the use of resources on developmental purposes incidental to such expenditure must be secured by deduction from other uses (mostly consumption); to that extent, a forced saving of resources to finance development does take place. But, given the rate of development expenditure, this forced saving takes place whether the budget is in deficit or in balance. If the budget is in deficit, that is, if the Government does not withdraw through taxation the amount of financial resources it expends on development as well other purposes, inflationary forces are set up in the economy which enforce savings on sectors of the community other than those which would be affected if the budget were in balance. In the latter case, the enforcement of savings is in accord with a considered and well-thought-out pattern, according to which the Government withdraws resources from private consumption.

A deficit, however, is an acknowledgment of failure to enforce the desired volume of savings, rather than of success in securing forced savings. A deficit does not merely mean that savings are imposed on different sectors of the community than would be affected if the financing of development were procured through higher taxation or borrowing from the genuine investor; in so far as its inflationary effects result in a general marking up of values and levelling up of the cost structure, it may set up pressures which make the necessary development extremely difficult of achievement.

Apart, therefore, from the necessity of promoting conditions of economic stability in the economies of under-developed countries in order to enhance the incentives to foreign investment, the normally suitable objective of policy for the domestic financing of economic development is for the Government to pay for its development expenditures through taxation and borrowing from the genuine investor, particularly under current inflationary conditions. The necessary expansion of the means of payment to sustain the expanding volume of activity in an economy undergoing development will in any case come about through the expansion of credit facilities on the basis of some enlargement of the cash base of the banking system, through a degree of additional government borrowing from the banks; it should be unnecessary to set up an objective of monetary policy different from that referred to above in any programme of economic development or any plan for the means of financing it. In this connexion, the parallel sometimes drawn between the effects of pump-priming methods to lift an economy with large unemployed resources and unused capacity from the bottom of a depression, and of inflationary finance to promote development is deceptive and incomplete. The capacity of an under-developed economy to expand production is small, compared with the recuperative powers of a developed economy which is temporarily stricken with depression.

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INDIAN GOVERNMENT DEVELOPMENT SCHEMES

The Indian Government have on hand a large number of development schemes some of which are nearing completion while others are still in initial stages. In the industrial field the most important undertaking is the Sindri Fertiliser Factory which is expected to produce 1,000 tons of ammonium sulphate per day by March 1952. The machine tool factory estimated to cost Rs. 83.7 million is expected to be in full production by 1955-56 when it will produce tools worth Rs. 40 million a year. Rapid progress is being made with the scheme to manufacture penicillin and sulphadrugs and the factory will go into production towards the end of 1952. Work on the factory to manufacture dry core telephone cables is expected to be in full swing in a few months and production will start in two or three years. The Indian Telephone Industries Ltd., sponsored by the Governments of India and Mysore has already started manufacturing some of the parts and full production will begin during 1953-54. With a view to help the ship-building industry a further order for three ships has been placed on the Scindias by the Government of India.

As regards measures to raise agricultural output, progress is being made with a network of irrigation projects and land reclamation schemes. The Damodar Valley Corporation is proceeding with the first phase of the project and a provision of Rs. 90 million has been made for the corporation during 1951-52.

In the field of labour welfare steps are being taken to implement the scheme for the housing of industrial workers. Besides these State undertakings, Government have also advanced loans to privately-owned key industries to enable them to overcome their difficulties and implement their expansion plans.

Lastly Government are going ahead with their progress of setting up a chain of National Laboratories all over the country. These laboratories will promote research in the various industries and develop new processes etc.

Details of some of the most important development schemes now in progress are given below:—

Fertiliser Factory, Sindri

India produces very little artificial fertilizers for which there is great need in this country, particularly in view of the grave shortage in recent years of foodgrains required for an increasing population. At present, production of artificial fertilizers is confined almost entirely to the byproduct plants. After the disastrous famine in Bengal in 1943, it was decided by the Government of India that immediate action should be taken to establish indigenous production of nitrogenous fertilizers to the extent of 350,000 tons a year. An export Technical Mission was brought out to India in June 1944 to advise on the best methods of establishing the industry. The Mission recommended the erection of Sindri in Bihar of a large factory for the production of 350,000 tons of ammonium sulphate per annum by the gysum process. These recommendations were accepted by the Government of India and a contract was entered into with an American firm (Messrs. Chemical Construction Corporation of New York) to design the complete factory, to supervise its construction and the bringing of the factory into production. Another contract was concluded with a British Firm (Messrs. Power Gas Corporation) to erect the factory under the supervision of the American Firm.

The factory, when completed, will be one of the biggest of its kind in the world operating on the gypsum process. The work under execution comprises:—

(i) The construction of Fertiliser Factory to produce 350,000 tons ammonium sulphate per annum;

(ii) The construction of a power house with a total installed capacity of 80,000 KW to supply the factory with power and process steam and supply power in bulk to the Damodar Valley Corporation;

(iii) The construction of water supply installation comprising:—

(a) Riverside water works, settling tanks, filtration plant to meet the requirements of the factory and connected works amounting to 12 million gallons per day; (b) The construction of an infiltration gallery across the bed of the Damodar River to supplement the supply in the dry season; (c) The construction of a dam on the Gowai river to store reserves of water;

(iv) The construction of a township to house all personnel employed in the above Scheme;

(v) The construction of a broadgauge railway link with marshalling yard and factory siding;

(vi) The development of gypsum deposits to supply to factory with the gypsum required for manufacture of ammonium sulphate; and

(vii) Arranging for the supply of all other raw materials such as coal, coke, etc. required for the operation of the Fertiliser Factory.

Upto the middle of August 1947, only the basic paper planning had been done and very little of the actual construction work had been completed. Thereafter the construction of the project has proceeded rapidly. All heavy constructional work is now virtually complete and all available resources are now being concentrated on the completion of pipe work, cable work and the installation of the vast number of instruments required for the control of the factory.

It is expected that the constructional work of the factory would be completed about the middle of 1951 and the first quantity of usable ammonium sulphate would be produced shortly thereafter Production at the full installed capacity namely 1,000 tons per day, will, it is anticipated, be reached by March 1952. It has been decided to place the management of the Factory under a State-owned private limited company. Action to implement the decision has been initiated. On the latest information available, the total capital cost of the Project is estimated at about Rs. 230 million.

Machine Tool Factory

Before the last World War, there was no real machine tool industry in the country. In spite of serious difficulties and handicaps, machine tools production rose during the War years from an insignificant total of 100 items per annum to about 6,000. In 1947, there were 24 graded firms and about 100 ungraded firms manufacturing machine tools. The value of graded machine tools during the period of peak production amounted to nearly Rs. 10 million. With partition, the industry was disrupted and its capacity reduced. Today there are about 16 graded and about 50 ungraded firms in India and the annual value of graded machine tools manufactured by them has dropped below Rs. 4 million. The present production does not meet more than 3 per cent. of the total requirements of the country. It is still essentially confined to simple and primary types of machines tools. The industry is not yet in a position to manufacture production and precision types of modern machine tools, which are in great demand for the purpose of rehabilitation and expansion of essential services, viz. Defence, Railways, etc. The present problem, therefore, is the immediate production of these categories of machine tools, without which it will not be possible to raise industrial production to an economic level. The value of the annual demand for machine tools is roughly estimated at Rs. 100 million

The machine tool industry is a key industry on which depends the prosperity and security of a nation. The Government of India had for some time been exploring the possibilities of establishing a factory in India, so that the country might become self-sufficient in machine tools as soon as possible. They eventually entered into an agreement with the Oerlikon Machine Tool Work, Buhrle & Co., Zurich, Switzerland. In addition to providing for the technical experts and keymen, equipment, jigs, tools, fixtures, duplicate patterns, operation schedules, etc., the agreement envisages the manufacture of 900 high speed lathes, 460 milling machines, 240 heavy duty drilling machines per year. A gear cutting shop and a foundry are incorporated in the Project Programme. The estimated cost of the scheme is about Rs. 83.7 million. The annual value of the output, when the factory is in full production, which will be in 1955-56, is estimated at over Rs. 40 million. Work on the project is expected to commence at Bangalore in three or four months' time.

A provision of Rs. 1 million in the Revised Estimates for 1950-51 and 19.4 million in the Budget Estimates for 1951-52 has been made in respect of the Machine Tool Factory.

Factory for the Manufacture of Dry Core Telephone Cables

India's requirements of telephone cable, estimated at Rs. 8 million in value per annum, are now met wholly from imports. The volume of this demand would in itself justify the establishment

of an economic manufacturing unit. In addition it is also desirable that the country should not be dependent for this vital supply on foreign countries. In 1948 an expert enquiry into the feasibility of setting up a Government owned factory for the manufacture of cables was instituted and following its report the possibility of interesting leading foreign manufacturers in collaborating with the Government of India in setting up a factory was explored. Government have now entered into a technical assistance agreement with a firm in the United Kingdom for the setting up of a factory. It has been decided to locate the factory near the Locomotive Manufacturing Works at Chittaranjan. Lead has already been acquired and some preliminary work in respect of contour survey, railway siding, etc., has been completed. Work on the factory is expected to be in full swing in a few months. The factory would cost about Rs. 1 million and will be in full production in two or three years.

A provision of Rs. 5 million has been made in the revised estimates for the current year and Rs. 5 million in the budget for 1951-52 for this project.

Ship-Building Industry

The Vizagapatam ship-building yard of Messrs. Scindia Steam Navigation Company, is the only one in India which can build ocean going ships. Scindias have spent about Rs. 56.4 million on the construction of the yard. As the Company could not raise funds to the extent of Rs. 80 to 100 million required for developing the yard, they approached Government with the proposal that the latter should take over their undertaking at Vizagapatam with all its commitments at the cost which the Company had actually incurred for the purpose. Under the accepted industrial policy, Ship-building is one of those industries, the establishment of new units of which will be the exclusive responsibility of the State, except where the State itself finds it necessary to secure the co-operation of private enterprise; but the existing undertakings will be allowed to develop for a period of ten years during which they will be given all facilities for period of ten years for efficient working and reasonable expansion. The proposal of Scindias was considered in the light of the above policy and in view of the inability of Scindias to run the yard, Government agreed in principle in January 1949 to acquire the yard on the basis of valuation by naval experts. A French Firm of Naval Engineers, was accordingly appointed to advise Government in assessing the value of the yard. The experts have submitted their report which is under consideration.

On account of the difficult budgetary position, Government decided in the beginning of 1950 not to take over the Vizagapatam Yard immediately. In order, however, to keep the yard going an order for three cargo ships of 8,000 tons each at a total cost of Rs. 19.35 million was placed with Scindias on Government account. These ships are now under construction and are expected to be ready for delivery by July next. It has also been decided to place with Scindias a further order for three ships on the same conditions as before for the same reasons. In addition to this, it is proposed to advance a loan of Rs. 1 million to Scindias for the construction of the third berth in the yard.

A provision of Rs. 20.5 million has been made on this account in the Budget for 1951-52.

Indian Telephone Industries Limited

The Telephone Industries Limited has been set up by Government for running a factory for the manufacture of automatic telephone and carrier equipment. It is the only factory of the kind in India. It is now being worked as a private limited company in which about 90 per cent of the share capital is held by the Governments of India and Mysore. The remaining share capital roughly 10 per cent, has been allotted to Automatic Telephone and Electric Company Limited of England in the form of free shares under the terms of the Agreement between the Government of India and that Company. The provision of Rs. 6.5 million made in the Budget will be utilised for the purchase of further shares in the Company. The capital thus made available to the Company will be utilised by it for financing its building programme, purchase and installation of machinery and for equipping the factory. The factory is expected to go into full production during 1953-54 after which no further investment will be necessary.

Construction of permanent buildings of the factory is in progress. Pending manufacture of complete telephone in India, the assembly of telephone instrument is being undertaken from parts obtained from England. The total number of telephones assembled upto the end of December 1950 was 25,258. A production programme has been drawn up and steps are being taken to accelerate production. The factory has already started manufacturing some of the parts.

Manufacture of Penicillin, Sulpha and Antimalarial Drugs

The scheme contemplates the establishment of a factory for the manufacture of Penicillin, Sulpha and Anti-malarial drugs at a Capital cost of Rs. 35 milion, 51 per cent. of which will be contributed by the Government of India and 49 per cent by the Government of Bombay.

An agreement has been entered into with Messrs. Karnbolaget A. B. Biochemical Industry Stockholm, Sweden, for technical advice for the designing and construction of the plant for the manufacture of Penicillin and the training of technical staff. For the services rendered by them and the training of technical staff by them the firm would get a remuneration of 250,000 Swedish Kroner (about Rs. 2,20,000) in three instalments of 75,000; 75,000 and 100,000 Swedish Kroner.

Iron and Steel Industry

Early in 1948 The Indian Iron and Steel Co. Ltd., and The Steel Corporation of Bengal Ltd. was are under the same management and control, submitted applications for a loan to meet expenditure on renewal and replacement of machinery in the former Company and on expansion schemes in both the Companies.

The loan of Rs. 50 million asked for was to be used, in the case of the Indian Iron and Steel Company, on capital works in progress such as conversion of Coke Oven Batteries, Construction of Sulphuric Acid Plant, Boiler, Coke Oven Battery, Auxiliary Equipment in connection with the above and certain work not yet begun i.e. 2 boilers with coal and Ash Handling Plant, Coal Washing Plant, and Auxiliary Services. In the case of the Steel Corporation of Bengal, the loan asked for, was for the erection of certain Mills, a Melting shop, a Scrap Yard and purchase of Machinery.

The above measures were designed to increase the production of finished steel by 200,000 250,000 tons thus:—

Rails and Heavy Structons turals	1,35,000
Medium Sections and the rest as semis for sale to re-rollers.	80,000

In view of the recommendation of the technical experts and in accordance with the policy laid down in Government's statement of industrial policy to give all facilities for reasonable expansion to existing works in certain industries including the steel industry, Government have decided to advance against a mortgage over the companies entire properties valued at over Rs. 160 million (book value) a loan of Rs. 15 million to the Indian Iron and Steel Company and Rs. 35 million to the Steel Corporation of Bengal. Not only will the additional production envisaged above help to bridge materially the gap between demand and supply but may also it is expected, bring down the cost of production of the latter firms by Rs. 25 per ton.

Damodar Valley Corporation

The Damodar Valley Corporation was established on the 7th July 1948 under an Act of Parliament. According to the preliminary memorandum prepared in 1945 the Damodar Valley Project is estimated to cost Rs. 550 million, irrigate about 1 million acres of lands in Bengal and Bihar, generate hydro-electric and thermal power of about 350,000 KW. The scheme includes the construction of eight dams, an irrigation barrage and canal system, a steam power station at Bokaro with a capacity of 200,000 KW and necessary transmission lines.

The Corporation is proceeding with the first phase of this project comprising the Bokaro thermal station and transmission lines, the Konar Tilaiya, Maithon and Panchet Hill dams, and the Durgapur Barrage and Canal System. They have so far undertaken the construction of Bokaro Thermal Station (150,000 KW.), the necessary transmission lines and two dams at Tilaiya and Konar-I out of the eight dams included in the preliminary memorandum. Investigations and project estimates on the remaining components of the first phase of the project, namely, the Mainthon and Panchet Hill dams and the Durgapur Barrage and Canal System ae also in progress.

The Corporation will have spent a total sum of Rs. 158.4 million by the end of the financial year 1950-51. The Corporation estimated its requirements for 1951-52 at Rs 133.5 million. Provision has, however, been made for a total of Rs. 90 million only to cover the cost of works already under construction and the estimated cost of preparing project estimates for the remaining works included in the first phase.

Land reclamation Scheme

The reclamation of culturable waste lands forms an integral part of food Self-sufficiency plan. The Scheme aims at reclamation of 3 million acres of Kans infested and jungle land during a period of 7 years commencing from 1950. It is estimated that the reclaimed land will produce an additional quantity of 1 million tons of foodgrains annually. With the help of old tractors taken over from the American surpluses, the Central Tractor Organisation, which is executing the scheme, reclaimed a total area of 104,028 acres during the two seasons 1947-48 and 1948-49 in Uttar Pradesh, Madhya Pradesh, Madhya Bharat and Punjab. During these two seasons the operations were carried out with old tractors and the progess was naturally slow. In 1949 an agreement for a loan of 10 million dollars was entered into with the International Bank for Reconstruction and Development, with the proceeds of which 375 heavy tractors are to be purchased. Of these 240 tractors have so far been received. During the 1949-50 season the Central Tractor Organisation, with the help of 135 old tractors and 120 new tractors, reclaimed a total area of 79,346 acres in Uttar Pradesh, Madhya Pradesh, Madhya Bharat, Punjab and Bhopal. Most of the new Tractors were utilised only towards the close of the season, as they were received late. During the 1950-51 season it is proposed to reclaim an additional area of 240,000 acres in Uttar Pradesh, Madhya Pradesh, Madhya Bharat and Bhopal.

On the land reclaimed in 1947-48 a total of 364,530 maunds of additional yield was obtained in 1948 from an area of 32,531 acres. This was well above the estimated additional yield of 1/3 of a ton per acre of land reclaimed. The scheme is run on commercial lines on a 'No profit no loss' basis.

Industrial Housing Scheme

In pursuance of the Government Resolution on Industrial Policy and the announcement made in April 1948, regarding the construction of one million houses in 10 years' time, the Ministry of Labour, in March 1949, formulated and circulated for the consideration of the State Governments a Scheme for the housing of industrial workers. The broad features of the scheme are that 2/3rd of the capital cost will be provided by the Central Government as an interest free loan and 1/3rd by the State Governments or employers sponsored by them as a 3 per cent. loan. The workers will pay rent at 2 1/2 per cent. of the cost subject to the limit of 10 per cent. of their wages. The employers contribution will be in the shape of rent at 3 per cent. of the cost for the houses allotted their workers.

The response of the State Governments has not been very satisfactory. The Government of Bombay, Bihar, Orissa, Madhya Pradesh and Punjab alone expressed willingness to participate in the scheme. Accordingly, the distiibution of the sum of Rs. 10 million provided in the 1950-51 budget was confined to these States alone. Bombay received a sum of Rs. 6 million and Bihar, Orissa, Madhya Pradesh and Punjab each a sum of Rs. 1 million (Bihar later on surrendered a sum of Rs. 500,000 out of Rs. 1 million which it is proposed to allot to the Government of Bombay).

As regards the progress so far made under the scheme, the Bombay Government have almost completed 1,268 tenements for Workers. The other four States have completed the preparatory work on their project and started or are about to start with the construction of houses.

The sum of Rs. 16.8 million is proposed to be similarly advanced to the State Governments for the implementation of the Scheme during 1951-52. The increased provision is necessary for pushing on the construction of houses for workers.

National Laboratories

The Government of India sanctioned the establishment of 11 National Laboratories and 6 Coal Survey Stations by the Council of Scientific and Industrial Research at an estimated capital expenditure of Rs. 28.0 million owing to the increase in the cost of building material and the rise in prices of equipment ordered from abroad resulting from devaluation, this estimate had to be revised and the revised figure is now expected to be Rs. 41.5 million.

The work of the National Laboratories is of a fundamental and applied character along lines likely to promote research in the Industries concerned. The Laboratories will also assist in the proper utilisation of the raw material resources and so further the development of the country's industries. The development of new processes envolved at the National Laboratories will, whenever necessary, be carried out up to the pilot plant stage so that the industry requiring aid will benefit from the investigations carried out at the laboratories. In the past such facilities were rarely available in this country and much of the scientific work carried out could not be convincingly demonstrated to industrialists on a semi-commercial scale. The Laboratories will initiate major investigations and will maintain the closest co-operation with all existing research institutions and with industry.

The National Chemical Laboratory at Poona and the National Physical Laboratory at Delhi were opened in January 1950 while the Fuel Research Institute, Dhanbad, the Central Glass and Ceramic Research Institute, Jadavpur, the Central Food Technological Research Institute, Mysore, the National Metallurgical Institute, Jamshedpur and the Central Drug Research Institute, Lucknow, were opened during the current year. The foundation stone of the Central Road Research Institute was also laid during this year while the construction of buildings for the Central Leather Research Institute at Madras, the Central Electro-Chemical Research Institute at Madras, the Central Electro-chemical Research Institute at Kottaiyur in South India, the Central Building Research Institute at Roorkee and the Central Road Research Institute at New Delhi has been taken in hand.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

Notice is hereby given that an Interim Dividend of £2.0.0. per share (nett, after deduction of Hong Kong Corporation Profits Tax) has been declared in respect of the year ending 31st. December 1951 at a rate of 1/2 7/8d. per dollar.

This Dividend will be payable on or after Monday, 13th August at the Offices of the Corporation, where Shareholders are requested to apply for Warrants.

THE REGISTER OF SHARES of the Corporation will be closed from FRIDAY, 27th JULY to SATURDAY, 11th AUGUST (both days inclusive) during which period no transfer of Shares can be registered.

BY ORDER OF THE BOARD OF DIRECTORS.

A. S. ADAMSON.
Acting Chief Manager.

HONG KONG, 10th. July, 1951.

FINANCIAL REPORTS

HONGKONG FREE EXCHANGE & GOLD MARKET

Review for the week July 9-14:—

GOLD:— Highest & lowest rates per .945 fine tael $311⅝—304⅝, equiv, to .99 fine tael and oz rates of $326.46—319.13 and $271.30—265.21, corresponding to crosses of US$43½ high, 42.95 low (contracts concluded during the week in Macao for delivery of 19,200 ozs fine at US$43.30—43.40 cif Macao). Local cross about 6% higher than free European exchanges, 6% lower than Bangkok, 23% lower than Bombay (average crosses in European markets 40¼—40½, in Bangkok 45—45½, in Bombay 52½—53).

Day-to-day high and low rates per .945 fine tael: $307—304⅝; 308¾—304⅞; 309¼—306¼; 311-1/4—307¾; 311⅝—308½; 311½—309⅞. Week's opening 306¼, closing 301¼.

Macao rates HK$322⅞ high, 317⅜ low, for .99 fine tael, that is $2—4 less than Hongkong. Canton rates per .99 fine tael HK$321 high, 317 low; prices follow Hongkong and Macao markets and there is a fair turnover on the black market.

Gold coins: per US$20 coin (old) HK$400—405, ten dollar coin 230—233, five dollar coin 115—118, English sovereign $85.

Change-over interest, in favor of sellers, 3 cents per tael per trading week. Total tradings 177,600 taels (daily average 29,600). Positions daily average 92,500. Cash sales 34,630 taels (of which 16,130 official). Exports: 17,500 (of which 6000 to India, 7000 to Bangkok, 4500 to Singapore). Imports: 12,000, from Macao.

**US$:**— Highest & lowest rates per US$ 100, notes 621¾—617, DD 621¼—617¾, TT 624—618-¼, equiv. to crosses US$2.564—2.587 (against official cross 8% less). Day-to-day TT rates: 624—621; 622—620½; 622—618¼; 622—620½; 624—621; 624—622. Tradings: US$1,150,000 in TT, 985,000 in DD and notes.

BANKNOTE RATES:— per one currency unit, in HK$: British pound 15.56—15.58, Australia 12.70—12.73, Canada 5.77¼—5.78, Malaya 1.79¼—1.79½, India 1.10½—1.09¼, Burma .88, Ceylon .89, Philippines 2.07—2.12, Macao 1.06½, Taiwan .27—.28. Per 100 currency units: Indochina 13.15—13.17½, Siam 28.80—29.10, Indonesia 33½—33.80. Per 10,000 yen, Japan 160—162.

SILVER:— Prices per .99 fine hongping tael $5.98—6.08, per dollar coin 3.85—3.86, per 20 cents coins 2.95. Business done: 38,500 taels.

CHINESE EXCHANGE:— Rates per one million People's Bank yuan HK$235, DD Canton 224—230, DD Amoy 244—246 (total DD business PB yuan 235 m.). HK$ remittances with Canton 97—97½ per 100 in Canton (sales HK$67,000). Gold and US$ exchanges with Shanghai at 87½—88½ and 85 resp.

Taiwan yuan remittances quoted HK$ 2850—3100 per 10,000 yuan; sales NTY 1,800,000. Gold and US$ exchanges with Taipeh 99—99½ and 98 resp. for 100 in Taipeh.

Outlook for truce in Korea darkened political horizon of Taiwan; as Chinese communists will be allowed to remove troops from Korea, they may deploy them against Formosa. Danger to the Island appears now more acute. At the same time possibility for continued appeasement negotiations with communists may cause US weakening on 'Truman policy' of safeguarding Formosa from attack. Mainland Chinese merchants have been thrown into a state of uneasiness and flight of capital from Taiwan, partly to Hongkong, has been noticed. With gradual return to normal in Korea the Formosan question will re-enter the political and military limelight; as economic conditions are not too firmly established, though given peace and a period of further US assistance to Taiwan the population should enjoy moderate prosperity and stability, the fears entertained by the majority of mainland Chinese in that Island may tend to play havoc with the finances of Taiwan.

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Review for the week July 16—21:

GOLD:— Highest & lowest .945 fine tael price $310¾—305-7/8, equiv. to .99 fine tael and oz rates of $325.54—320.44 and $270.54—266.30. Crossrates US$43.10—43.25. Cif Macao offers 43.35 (no takers). Day-to-day rates per .945 fine tael: $307⅞—305⅞; 309—307½, 310—307¼; 310⅝—308⅜; 310¾—309⅜; 310—308-7/8. Week's opening 307, closing 309½.

Undertone was easy. Interest on forward switched over to the favor of buyers as ready-delivery stocks appeared low (estimated towards week-end at 70,000 taels). Korean war or peace news dominate sentiments of dealers and the public.

The Gold Exchange took action during the week by suspending a member for 3 months; the Pao Hing native bank had been transacting business outside the Exchange which was in contravention of bye-laws. Other members will feel discouraged to engage in curb market business.

Change over interest for the week: 1 cent in favor of buyers. Tradings: 192,000 taels (32,000 per average day). Positions 103,500 taels per average day. Cash bars: 9530 taels officially and 24,070 unofficially, a total of 33,600. Exports: 17,100 taels (consigned to Singapore 9800, and to Bangkok 7300). Operators took up 16,500 taels (hoarding and interest earning). Imports: 2800 taels from Macao. Export bars differences, for .99 fineness: $15.10 to 15.30.

US$— Highest & lowest rates, for US notes $624—615½, DD 625½—617¼, TT 627½—619¼, equiv. to crosses of US$ 2.549—2.583. Day-to-day TT New York rates: $621—619¼; 623½—620½; 625½—623; 627—625; 627½—626¼; 626½—625½ Sales: US$870,000 in TT, 655.000 in notes and DD.

SILVER:— Prices per tael $6.05—6.10, dollar coin 3.88—3.90, twenty cents coins 2.98—3. Sales: 68,000 taels.

BANK NOTES:— There were few changes in rates and business was slack. Manila went up to $2.14. Japanese yen declined to $159 per one million. Local speculation in Japanese military yen revived as peace treaty expectations were coupled with unreasonable rumor that Japan may partly redeem military scrip issued here. Some business was done at $10 to 11 per one million military yen.

CHINESE EXCHANGE:— Quiet trading featured the market. Rates in HK$ per one million PB yuan: notes 229—234; DD Canton 228—229, DD Amoy 245—246. (DD business total 560 million). HK$ exchange with Canton at 97—97½ per 100 in Canton (sales $18,000). Gold and US$ exchange with Shanghai: 87½—88 and 85 resp.

Taiwan exchange quoted $2925—2975 per 10,000 Taiwan yuan (sales 2½ million yuan). Gold and US$ exchanges quoted 99 and 97½—98½ resp. per 100 in Taiwan.

H.K. STOCK & SHARE MARKET

The market during the past week has been somewhat sensitive to the fluctuating progress of the peace talks in Korea with rates varying accordingly. Closing prices show practically no change from previous Friday but turnover was on a smaller scale.

Business reported during the week, $2,877,275. Business report for June 1950, $4,330,780. Business reported (29th week) 1950, $396,045.

Closing Rates:—

H.K. GOVT. LOANS	
4% Loan	98
3½% ,, (1934 & 1940)	93¼
3½% ,, (1948)	92¼
BANKS	
H.K. & S. Bank	1480
,, (Lond. Reg.)	£89½
Chartered Bank	£10 13/16
Mercantile Bk. A. & B.	£22
Bank of East Asia	105
INSURANCES	
Canton Ins.	245
Union Ins.	745
China Underwriters	3.40
H.K. Fire Ins.	135
SHIPPING	
Douglases	145
Indochina (Pref)	11.05
,, (Def.) (F. Pd.)	56
,, ,, (P. Pd.)	28
Shells (Bearer)	96/3
U. Waterboats	17
Asia Nav.	1
DOCKS, WHARVES, GODOWN, Etc.	
H.K. & K. Wharves	84
North Point Wharves	4.80
Sh. Hongkew Wharves	3
H.K. Docks	15
China Providents	11
Shanghai Dockyards	2.40
Wheelocks	23
MINING	
Raub Mines	4.70
H.K. Mines	.00¾
LANDS, HOTELS & BLDGS.	
H. & S. Hotels	4.85
H.K. Lands	40
Shanghai Lands	1.10
Humphreys	9
H.K. Realties	2.10
Chinese Estates	100

PUBLIC UTILITIES	
H.K. Tramways	13
Peak Trams (F. Pd.)	15½
,, (Partly Pd.)	7¾
Star Ferries	75
China Lights (F. Pd.)	6.95
,, (Partly Pd.)	4.10
,, (Bonus Sh.)	6.70
H.K. Electrics	26¼
Macao Electrics	9½
Sandakan Lights	8¾
Telephones	11¼
Shanghai Gas	1½
INDUSTRIALS	
Cald. Macg. (Ord.)	24.10
Cements	11.30
H.K. Ropes	14
STORES &c.	
Dairy Farms	13¾
Watsons	18½
L. Crawfords	23½
Sinceres	3.20
China Emporium	9½
Sun Co., Ltd.	2.20
Kwong Sang Hong	98
Wing On (H.K.)	60
Wm. Powell, Ltd.	7
MISCELLANEOUS	
China Entertainments	12
International Films	1'
H.K. Constructions	
,, (Fully Pd.)	1.90
,, (Partly Pd.)	.95
Vibro Pilings	8¼
Marsman, Investments	9/-
Marsman, (H.K.)	.75
Shanghai Loan	.65
S'hai Explor	.15
Yangtsze Finance	2.40
COTTONS	
Ewos	2
RUBBER COMPANIES	
Anglo-Dutch	.85
Anglo-Javas	.50
Ayer Tawah	3½
Bute Plantations	2.60
Consolidated Rubbers	3¼
Dominion Rubbers	3¾
Java-Consolidateds	.25
Kota Bahroe	2.20
Kroewoek Javas	.30
Langkats	.80
Padang Rubbers	.60
Rubber Trusts	3.15
Shanghai Kedahs	6¼
Shanghai Kelantans	.85
Shanghai Pahang	2.20
Shanghai Sumatras	7
Sua Manggis	.07½
Sungala	1.90
Sungei Duris	30
Tanah Merahs	1½
Ziangbe Rubbers	1.60

SINGAPORE SHARE MARKET

On buoyant markets a very satisfactory volume of business was maintained during the second July week. Main activity was in industrials but towards the end Tins came into the picture on good outport demand.

The debate on the Sunday Malayan Affairs broadcast attracted considerable attention from an investing public which for half a century during many vicissitudes has financed the development of the Peninsula. Until 1941 it ventured with confidence under Government which was assiduous in meeting responsibilities and administering the country at reasonable cost. It expected after such a debacle as the Japanese occupation that no effort would be spared to restore confidence to its former level. Instead it has met a long series of disappointments, the cumulative effect of which is that the Federation is no longer regarded as the same first class financial risk it rated in 1941. Fortuitous circumstance and a grasping taxation policy during the first half of 1951 has given the Federal Treasury revenue exceeding any former expectation and probably in excess of anything we shall ever see again. Momentarily, funds are in hand to meet immediate commitments and initiate many projects. At this stage, practical financiers would on past experience budget for sharp decline in revenue and expect future expenditure to be drastically pruned. But there is no indication of pruning in the latest figures available from the Financial Secretariat. It is not too late for the Federation to put its house in order but to do this it must adopt the old fashioned policy of putting aside for the inevitable rainy day and to cut its coat according to its cloth irrespective of the latest fancy Socialist pattern from Whitehall.

In recent weeks the Chairman of the Rural and Industrial Development Authority, who is also Member for Home Affairs, has initiated a political party to work for Independence in 7 years. On Wednesday he assumed responsibility for the utterances of the Malayan Affairs commentator in which suggestions for the nationalisation of the Rubber Industry were made. To use one of the phrases of the same commentator "What our friends are asking is "How can the trust of investors be won when a leading member of the Government acts thus?" Confidence in the administration, a prime essential to any continuing scheme of development, is best cultivated by the serious conduct of affairs and the implementation of sound policy with the co-operation of those whose enterprise has brought progress. Tangential political moves—however dramatic—and the sponsorship of provocative broadcasts can only shake a credit already undermined. Some day soon the Federation may want to raise loans locally and perhaps in London and the Financial Secretary will wonder why the investing public is not as eager as he had hoped.

Under strong investment support Industrial shares in general advanced during the week and at the end were still in strong demand. Straits Trading $17.75 to $18.50, Uniteers $11.25 to $11.60. Henry Waugh $3.07½ to $3.15 and William Jacks $3.15 to $3.25 were some of the more active counters.

While Singapore was concentrating on Industrials outports were taking off Dollar and Australian Tins in fair quantity. Petaling, Taiping, Kuala Kampar and Austral Amalgamated were particularly sought for and all showed improvement. Sterling Tins continue utterly neglected.

Rubber shares had a moderate turnover but, with few exceptions, show little price change over the period.

Loans saw few dealings in the absence of sellers at quoted rates and again Malayan funds went into British War Loan.

Before Australian markets had resumed their upward course a few selective purchases were made for Malayan account.

Business Done.

Industrials. British Malaya Trustee $5.50, Fraser & Neave Ords. $3.50 to $3.62½, Gammon $2.40 to $2.50, Georgetown Dispensary $2.15 to $2.20, Hongkong Bank $805 & $810, Malayan Breweries $5.85 to $6.10, Malayan Collieries $1.75, Robinson $3.10 to $3.30, Straits Steamship $20.00. Straits Times $3.42½ to $3.50, Straits Trading $17.75 to $18.50, Singapore Cold Storage $4.40 to $4.50, Singapore Traction Pref. 23/7½ to 24/-, United Engineers $11.25 to $11.60. William Jacks $3.15 to $3.25 c.d. Henry Waugh $3.07½ to $3.15, Wearne $3.05 to $3.07½.

Dollar Tins. Hong Fatt 88 to 85 cents, Jelebu $1.12½, Klang Riang $1.42½ to $1.52½ c.d., Petaling $5.25 to $5.40, Rahman $2.30, Rantan $2.40 to $2.47½, Sungei Way $2.92, Taiping Consolidated $2.10, Teluk Kruin $1.85.

Australian Tins. Austral Amalgamated 10/1½ to 10/4½, Jelapang 23/-, Kramat 11/- to 11/½, Kuala Kampar 33/9 to 34/6, Larut 12/7½, Puhgah 23/6, Rawang 7/1½ c.d., Thabawleik 44/-

Gold. Raub $1.75 to $1.80.

Oil. British Borneo Pet. 50/-

Rubbers. Ayer Molek $1.50, Ayer Panas $1.27½. Batu Lintang $1.37½, Bedford $1.17½ to $1.20. Borelli $1.87½, Brunei 80 cents, Bukit Sembawang 1/7 & 1/8. Vraigielea 1/1½, Jeram Kuantan $1.55 & $1.56½, Kamasan $1.10, Kuala Sidim $1.32½, Kundong $1.45, Mandai Tekong 40 cents, Nyalas 95 cents. Sungei Tukang $1.36, Tambalak 95 cents. Temerloh 60 cents, Ulu Benut 37 cents.

Australian Investments. Argo Investments 11/9 & 11/11, Castlemaine Perkins 32/6, Elder Smith 34/-, Executor Trustee 14/3, Mount Lyell 25/6 to 26/-.

Company Reports:—

Riverview Rubber Estates Ltd. is a Company registered in Malaya, whose capital is expressed in sterling. Profit for the year ended 31st March 1951 was £187,455 (154.9%) before providing for replanting costs. It is proposed to pay a final dividend of 22½% making 75% for the year. Net liquid assets at date of balance sheet were equivalent to 2/6 per share. All-in cost of production worked out at 11¾d per lb. on a crop which averaged 843 lbs. per acre tapped. Of the Company's mature area amounting to 1,563 acres, 609 acres are planted with selected material. In the immature area 54 acres are planted with clonal seed and 494 acres are or will be bud grafted. Some extraordinarily heavy crops are reported from areas planted with selected seed and over a number of fields production has ranged from 1,231 to 1,835 lbs. per acre. Backwoods Division of 135 acres was sold during the year for $61,000.

Klang River Tin Dredging Co. Ltd., has announced its first distribution since the war in a dividend of 10% payable on 30th July.

GOLD AND SILVER EXCHANGE OF HONGKONG

(By a Chinese Bullion Dealer)

History:— In the early years of the century, when the Colony used both Hongkong Dollars and Chinese silver coins as currencies, rates between them fluctuated widely. Chinese banks and money changers met together at places to concentrate their interbank tradings. During the first World War, when silver appreciated and "Double Eagles" were flowing into the Colony for the purpose of buying Chinese materials, operators began to trade in these foreign gold coins both in cash and in fictitious forward speculation. As they traded among themselves on the basis of verbal agreements and credits, failures were so frequent that they had to form an Exchange, with fixed regulations. The Exchange only registered with the local Secretary of Chinese Affairs but matters of debts and disputes between members were not under Government's jurisdiction. The same form of business is carried on now, but regulations were amended, altered and improved year after year, and members of the Exchange were increasingly obliged to follow the rules and regulations. Failures have thus seldom happened in recent years.

Number and Value of Seats at the Exchange:—There was no limit of seats before the reform of the Exchange in 1932, when they numbered 260. Years had passed and those who failed were struck off, only 197 seats at present surviving. A few of the members are not operating, but most of them are active. The Exchange passed a resolution that these 197 seats were not to be increased nor was the total number to drop below 150. This strict rule brought the value of seats to many times their original value. The original subscription value of membership was HK$500, but when business was very prosperous in 1949, value of seats appreciated to the highest record of $77,000. As business is now dull, the last traded value was only $27,000 per seat.

Financial Standing of the Exchange:— Between the years of 1932 and 1941, the Exchange secured a sound financial footing, and after enjoying prosperous business in recent years after the Second World War, its assets rose to well over $2 millions or about $10,000 for the value of every seat. The assets are composed of Cash, the big building of the Exchange, an Education Foundation Fund of about $450,000, a Medical Welfare Fund of about $400,000 and a Sports Fund of about $100,000.

By-Laws and Regulations of the Exchange: (Revised in July, 1951). Name: Gold and Silver Exchange Place. Address: 12-18 Mercer Street, Hongkong. Business: Fictitious forward trading in .945 fine gold bars and Indochina Piastre Notes, cash tradings of all Bank Notes and gold and silver Coins of the World, Domestic Remittances with China and U.S.$ T. T. and Drafts.

Number of Seats of Members: Limited to 197 seats, not allowed to be increased until the total drops below 150.

Controlling Committees: (Terms of office: one year) as follow:—

The Executive Committee: Chairman (Tai Sang Bank, Mr. Ma Kam Chan), Vice-Chairman (Cheuk Kee Bank, Mr. Poon Bok Man), and 15 members (Lai Yuen Bank, Mr. Mui Tang Fei; Fat Cheong Bank, Mr. Chung Ying Choi; Hang Sing Bank, Mr. Kan Sui Ting; Choi Kee Bank, Mr. Chung Kwok Yan; Shun Hang Bank, Mr. Chan Siu Hon; Dao Hang Bank, Mr. Tung Chung Wei; Wing Loong Bank, Mr. Ng Kit Yee; Kwong On Bank, Mr. Liang Kwai Yee; Chan Man Fat Bank, Mr. Chan Ping Fung; Wing Hang Bank, Mr. Fung Yiu King; Tin Kat Bank, Mr. Yuen Cheong; Wing Ming

SO NEAR BY AIR

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Bank, Mr. Ng Yin Kuen; Tak Fat Bank, Mr. Tsang Hin; Ying Shun Bank, Mr. Kwok Cheuk Wah; Mun Fat Bank, Mr. Yeung Pak Wen).

The Supervisory Committee: 4 members (Pao Tak Bank, Mr. Ying En Ting; Wing Kee Bank, Mr. Chang Cheuk Yin; Tin Cheung Bank, Mr. Tam Ping Kee; and Hang Sang Bank, Mr. Ho Sin Hang).

Financial Sub Committee: 7 members of the Executive Committee were elected to control the assets of the Exchange.

General Meetings and Election: General Meetings of Members are to be held on 15th June and 15th December of every year and at the meeting of 15th June, officials and Committees are to be elected. Committees are to meet on the 1st and 15th of every month. Extraordinary Meetings can be called on the proposal of one-quarter of the total members and over.

Subscriptions by members and Dividends for Members: Every year each member has to pay $20 as membership fee. Earnings of the Exchange after deduction of expenditures and transfers to reserves and Charitable Funds, are to be divided among members twice each year, about July and January. A total of about $3,000 was paid in the last 2 years, and it is expected to be continued according to present business condition.

Earnings of the Exchange: one cent on buying or selling of 1 tael of .945 fine cash or spot gold bar and 2 cents per every tael changed over in the fictitious forward market. 5 cents on buying or selling of 10,000 piastres cash transaction and 10 cents on every 10,000 piastres changed over in the fictitious forward market. At the present, over 30,000 taels of gold are bought and sold every day and about 100,000 taels are changed over every day, the estimated earnings of the Exchange are now about $3,000 to $4,000 per day, or well over 1 million per year.

Trading and Trading Hours. Tradings are by verbal agreement and contacts are later made out. Smallest unit is 10 taels. Operating days are in accordance with local bank customs only a few extra holidays are observed like Chinese festivals and the week of Chinese New Year. Operating hours are from 9.30 a.m. to 12.30 and 14.30 to 16.30 p.m. There is no afternoon session on Saturdays but a 15 minutes longer session in the forenoon. Members are strictly prohibited to trade outside of the Exchange and must only within the trading hours transact business. Heavy punishment is meted out to offenders.

Gold bar issuing Members: Only 44 members are now allowed to issue gold bars of .945 fineness. These members have to furnish a guarantee of $20,000. All bars issued are to be examined by the Exchange.

By-laws for Trading of .945 fine Gold Bars:

Fineness and Weight: .945 fine gold plus .055 fine silver, at 5 or 10 Hongping taels per trading bar.

Margin paid in the Forward Market: All positions taken for carrying over to next session or next day are automatically taken care of by the Exchange, and $75 is required to pay to the Exchange as margin for one tael, to safeguard loss on difference of prices next day. Members are given a credit of $40,000, presumed to be the cost of their seats in the Exchange.

Official Rates for set offs: Official rates are fixed twice daily, at noon and at 4.00 p.m. These are based on market prices and taken to the nearest to every $5 on cash bar prices. Members are to follow these official rates to set off their sales and purchases. Differences are to be paid to the Exchange at 2.00 p.m. and at 6.00 p.m. daily. Any failure to pay differences at the fixed times, may be treated as bankruptcy and the seat will automatically be struck off from the Exchange.

Cash sales and Interest Fixings:

Change over interest rates are fixed according to balances of cash bars demands and offers daily at 11.30 a.m. All cash bars concluded are to be cleared between themselves before 4.00 p.m. on that day. Better demands or offers decide the rate to be in favour of one or the other side. On the fictitious forward market one may leave the position open and only pay the margin, differences and interest and then can wait for the last set off when the position has been cleared. This means that the position can be kept open for one session, one day or days or months or years as long as the Exchange functions. These change over rates are limited to .15 to .20 of 1% of the official value of gold.

By-laws For Trading of Piastre:

Regulations are similar to those of Gold except that Margin for 10,000 piastres is $500.

By-laws for Domestic Exchanges, US$ exchanges, Cash Bank Notes and Silver:

No particular regulations govern these transactions but disputes are to be settled by the Executive Committee, and any debts which arise will be settled by their order.

Welfare:

Free education, free medical treatment and free sports are provided by the Exchange for its members.

HONGKONG COMMODITY MARKETS

An uneventful week as far as the HK commodity markets were concerned closed with the issue by the Dept. of Commerce & Industry of a list covering the majority of the more important commodities subject to the new controls. Merchants will continue to be under the necessity of ascertaining whether items not shown on the list are free from control; but they are also given the hope that applications for export licences for items included in the list will be considered on their merits and not turned down as a matter of course. In some respects the list has undoubtedly clarified matters; in certain categories, however, such as the miscellaneous metals so widely dealt in by Hongkong traders, there remains as wide field for doubt as to what is included in the prohibition. Transactions upon any important scale are being at present held up until merchants are more certain of the position.

Dissatisfaction over the compulsory storage of goods in public godowns arising under the new controls and the consequent tying-up of capital, metal merchants being particularly affected, has brought about an increasing number of attempts to cancel indents.

Local consignees have been disagreeably affected by the information that SCAP has given instructions for the sale in Japan by consignees, at reasonable rates, of around 40,000 candies of Pakistani raw cotton. These cargoes were intercepted by the US naval authorities while en route to Hongkong in American vessels flying the American flag and offloaded in Japan, following the imposition of the US embargo against China, Hongkong and Macao. The consignees stand to suffer heavy losses if the above course is adopted.

* * *

Cotton Yarn. The cotton yarn market continued to show no improvement, either in Indian or local makes, and the few transactions taking place were at lower prices: Indian Gokak Mills 10's sold at $1300 per bale; Loyal Textile Mills 26's fell to $1660 per bale and Kotak & Co. 26's to $1630 per bale; Loyal Textile Mills 32's dropped to $1830 per bale. Hongkong Golden Peak 20's went down to $1840 but rose later to $1850 per bale, while Double Swallow was offered at $1800 per bale.

Cotton Piece Goods. In the cotton piece goods market Grey Sheeting alone showed activity with strong buying support: Japanese 2023 sold at $64 and rose to $64.50 per piece; Indian 2340 was transacted at $41.50; Golden Peak rose to $62.50 and Lucky Star to $61 per piece. Hongkong-made Drill 84" x 48" was dealt in at $58/$58.50 per piece.

Metals. The inactivity displayed on the metals market continued last week. In regard to certain popular items such as Galvd. Iron Sheets, however, it is hoped that buying interest will revive locally when the large stocks that were transferred to Macao upon introducton of the HK import/export controls are nearer exhaustion. Canton has now become the supply centre for North and Central China dealers, which should encourage the development of trade in Hongkong.

Zinc Plates formed an almost unique exception to the general dullness; strong local demand caused selling offers for G5 & G6 to rise to $520 per picul (1 picul

equals 133.3 lbs.), and in actual transactions the price of the former rose to $500 and of the latter to $480 per picul. No large transactions took place in regard to Stainless Steel, as holders of spot goods were reluctant to part with them at prevailing prices: British 6" to 8" in rolls G18-G22 advanced to $12 per lb., while 3' x 6' G20 was quoted at $10 per lb. Old Steel Plates, salvaged from vessels, fell to $30 per picul for ⅜" and over and to $32 for ¾" and ⅞" or an average drop of $4/$5 per lb. Mild Steel Round Bars fell: European 40' ¼" and 5/16" being offered respectively at $76 and $75 per picul, while ½" sold at $70 per picul. Mild Steel Plates also suffered a decline, 1/16" being offered at $185 per picul and 3/16" at $128 per picul. Galvd. Iron Sheets G31 3' x 7' sold at $25 per piece; G24 and G26 were offered at $2.15 and $2.20 per lb. respectively.

British Tinplate 20" x 28" 200-lb. case, being greatly in demand and with low stocks, saw an increase in price to $360 per case. US Black Plate continued to fall, the demand from factories being less as a result of the release in successive lots of shipments which were previously off-loaded in Honolulu: G29-G33 were offered at $170 per picul, but interest was lacking.

Industrial Chemicals

The arrival of considerable replenishments from abroad brought down the prices of industrial chemicals. German Petrolatum, Yellow, sold at 99 cents per lb., while the Dutch product was quoted at $1.05 per lb. Acetic Glacial Acid sold at $1.30/$1.40 per lb. British Ammonium Chloride was in demand, but sold at the lower price of $1400 per ton. Dutch Lithopone in 50 kilo. paper bag had some sales at $1.24 per lb. British Rubber Accelerator Monsanto in 224-lb. drum was transacted at $21 per drum.

China Produce

Few transactions took place in vegetable oils during the week, and prices remained more or less stationary, except for Aniseed Oil, unprocessed quality, which improved to $1100 while export quality rose to $1150 per picul. Woodoil (Tung Oil) was unchanged at £300 per long ton for bulk shipment c. & f., while processed quality remained at $272 per picul. Teaseed Oil was quoted at $245 picul. Cassia Oil fell to $2100 per picul.

Trade in Cassia Oil became brisk, with the resumed issue of export licences by the Canton authorities and a renewal of buying interest on the part of Indian dealers. Over 1600 piculs, loose packing, were traded during the week at $81 per picul, the spot price being firm at $83.50 per picul. Green Ramie was in demand to fill export requirements, and prices advanced to $280 per picul for ordinary quality, $287 for best quality, and $290 for export quality, at this price over 30 tons being transacted. Feathers were firm, with local factories absorbing all available stocks which, however, were in short supply: 85% Duck Feathers remained at $1300/$1350 per picul, 70% Duck Feathers were offered at $950/$1000 per picul. Silk was slow, and improvement is not anticipated in view of the low offers from France and India and declining prices in Japan: Shanghai A grade was offered at $3850 per picul, Canton 20/22 medium quality stood at $3150. The expected arrival of Silk Waste from Korea kept down prices locally: Canton 2nd & 3rd grade was offered at $600 and Szechuan 1st grade at $1000.

HONGKONG IMPORT/EXPORT CONTROLS

The HK Dept. of Commerce & Industry has released the following list of the majority of the more important commodities at present subject to import and/or export control under existing legislation, for the guidance of the local mercantile community.

It is, however, pointed out that the list is by no means, exhaustive and does not imply that items not appearing in the list are not subject to control or imply that export licences for the items listed will necessarily be refused in certain instances.

Foodstuffs: Bacon; Butter; Cheese; Flour; Ham; Margarine (import only); Meats, Canned, all kinds; Peanut Oil (export only); Rice; Sugar.

Others: Abrasives, all types excluding emery and smoothing papers; Acetaldehyde; Acetic acid, over 80%; Acetic Anhydride; Acetone; Acrylic Plastics & Resins, all forms; Aldehyde-Ammonia; Aldol-Alpra-Naphthylamine; Aluminium, all forms; Aluminium Alloys; Aluminium Chloride, Anhydrous; Amino-Phenol, Para-Ammonium Nitrate; Amyl Xanthates; Aniline; Antimony, all forms; Antimony Compounds (Except medicinals such as tartar emetic and organic antmonials); Antimony Ores & Concentrates; Arsenic Oxides; Arsenic Chlorides; Asbestos, all types; Asphalt.

Ball & Roller Bearings; Barium Chromate; Barium Nitrate; Barium Sulphate; Barrels, metal, of 4 or more gallons capacity. Batteries, excluding dry batteries for flashlights; Benzene or Benzole; Benz-Thiazole Disulphide; Benzyl Chloride; Beryllium, or Glucinum, all forms; Beryllium Ores; Beryllium Compounds; Binoculars; Bismuth, all forms; Bismuth Alloys; Bismuth Compounds; Bismuth Ores & Concentrates; Bismuthinite; Bitumens; Black Plate, all kinds (Export only); Boilers, designed to operate at 450 lbs. per square inch; Bottles; Bromacetone; Bromo-Benzyl-Cyanide; Bromo-Methyl Ethyl Ketone; Butadiene; Butyl Xanthates and Iso-Butyl Xanthates;

Cadmium, all forms; Cadmium Alloys; Calcium; Calcium Carbide; Calcium Permanganate; Calcium Phosphide; Calcium Silicide; Carbamite; Carbon, including carbon black, activated charcoal, synthetic graphite, petroleum coke; Carbon Tetrachloride; Castor Oil and Caston Oil Hydraulic Fluids; Cellosolves; Cellulose Nitrate (Nitrocellulose), all forms; Cellulose Purified, 88% alphacellulose or better; Centralite or diethyldiphenyl-uea and dimethyl-diphenyl-urea; Charcoal (Exports only); Chemical Equipment & Plant; Chlorates; Chloracetic Acid; Chloracetophenone; Chlorobenzene; Chloromethyl Chloroformate; Chloropicrin; Chloro-Sulphonic Acid; Chucks; Coal (Export only); Coke (Export only); Cobalt; Cobalt Alloys; Cobalt Compounds, except paint driers; Cobalt Ores & Concentrates; Columbium; Columbium Alloys; Columbium Ores & Concentrates; Communication Equipment, Radio and land line; Copper, all forms; Copper Alloys; Copper Ores & Concentrates; Cotton, Raw; Cotton, Waste; Cotton, Yarn; Cresylic Acid, excluding creosote; Crucibles, graphite (natural & artificial); Cryolite; Cyanogen Chloride;

Dibromo-Ethane; Dibromo-Methyl Ether; Diethyl-Dithio-Carbamates and Dimethyl-Dithio-Carbamates; Diethylene Glycol; Diethylene Oxide; Diethylene Dioxide or Dioxan; Dimethyl-Aniline; Dinitro-Benzene; Dinitro-Toluene; Dinitro-Phenol; Dinaphthyl-Para-Phenylene Diamine; Diphenyl-Para-Phenylene Diamine; Diphenylamine and its salts; Diphenylamine Chlorarsine; Diphenyl Cyanarsine Diphenyl-Guanidine or D P.G.; Diphenyl-Urea; Diphenyl Urethane; Ditolyl-Guanidine; Ditolyl Urethane; Drums, metal, of 4 or more gallons capacity;

Electric Furnaces; Electric Generating Apparatus and components thereof; Electric Motors, over 1,000 h.p., and automatic controls; Eletrodes & Rods; Electrometers Electronic Instruments; Engines, marine and internal combustion and parts thereof; Erythritol; Ether; Ethyl-Benzene; Ethyl Bromacetate; Ethyl Cellulose, all forms; Ethyl Diphenyl-urea; Ethyl Dibromarsine; Ethyl Dichlorarsine; Ethyl Iodo-Acetate; Ethyl Phenyl Urethane; Ethyl-Xanthates; Ethylene; Ethylene Oxide; Ethylene Chlorhydrin; Ethylene Ethers; Ethylidine-Aniline; Explosives;

Ferro-Alloys; Firewood (Exports only); Fluoron, Tri-Fluoro-Chlorethylene and Poly-Tri-Fluoro-Chlorethylene; Formaldehyde (Formalin); Froom; Furnaces, Electric; Furfural (Burfuraldehyde); Furfurol (Furfuryl Alcohol); Germanium, all forms; Germanium Concentrates; Germanium Compounds of all descriptions, including Germanates; Glycol (Ethylene Glycol); Glycol Dinitrate; Glycol Esters; Glycol Ethers; Glycerin or Glycerol; Grinding Wheels; Guanidine Nitrate; Gunny Bags;

Hexachlorethane; Hexamine or Hexamethylene-Tetramine, H.U.T., Urotropine; Hexanes; Hoists; Hydrazine and its salts; Hydrocyanic Acid, over 20% strength; Hydrofluoric Acid; Hydrogen Peroxide, over 50 volume strength; Hydroquinone (Quinol);

Iron (Carbonyl) Powder; Iron and Steel, all types, including alloys and scrap with the exception of bolts, nuts, screws, nails and certain types of hardware manufactured fittings and hand tools; Iso-Hexanes; Iso-Octanes; Iso-Propyl Either; Lead, all forms; Lead Alloys; Lead Ores and Concentrates; Lead Thiocyanate Lead tetraethyl; Lewisite; Lithium Soaps; Lithopone;

Machinery; Machine Tools and Tool Parts (Metal Working); Magnesium, all forms; Ragnesium Alloys, over 50% magnesium; Mannitol (Mannite); Mercapto-Benzo-Thiazole and Derivatives; Mercury; Methylamine and its salts; Methyl Dichloro-Arsine; Methyl Diphenyl Urea; Methyl Iso-Butyl Ketone; Mercury Fulminate; Microscopes, Electron; Mica; Molybdenum, all forms; Molybdenum Alloys; Molybdenum Compounds; Molybdenum Ores and Concentrates; Motors, Electric, over 1,000 h.p., and automatic controls; Motor Vehicles (including tractors) components spares, certain accessories and tubes therefor; Mustard Gas;

Napalm, including Aluminium Soaps; Nickel, all forms; Nickel Alloys; Nickel Ores and Concentrates; Nickel Oxide; Nitric Acid; Nitrogen-Mustard Gases; Nitrobenzene; Nitro-Glycerin; Nitro-Guanidine; Nitro-Mannitol; Nitronaphthalenes; Nitrophenols; Nitrotoluenes; Nylon Rope and Parachute Cloth; Optical Glass, excluding spectacle lenses;

Palite; Penta-Erythritol; Penta-Erythritol Tetranitrate; Pentryl; Perchloric Acid; Perchlorates; Persulphates; Petroleum Equipment and Plant; Petroleum Products, all types including Petroleum Jelly, Vaseline, Paraffin Wax, Bitumen and Asphalt; Phenylene Diamine, Meta-; Phenylene Diamine, Para-; Phenol, (Carbolic Acid); Phenyl Dibromarsine; Phenyl Dichlorarsine; Phenyl-Alpha-Naphthylamine; Phenyl-Beta-Naphthylamine; Phosgene; Phosphorus, White; Phosphorus Chlorides; Photographic Films, Etc., (Export only); Phthalic Anhydride; Phthalic Esters (Phthalates); Picnic Acid; Pine Tar; Piperidine Pentamethylene — Dithiocarbamate forms; Poly-Ethylene or Polythene, all forms; (P.P.D.C.); Platinum; Poly-Dichlorostyrene, all Polystyrene, including Styrene, all forms; Potassium; Potassium Cyanide; Potassium Nitrate; Potassium Permanganate; Potassium Tetroxide; Precision Instruments; Propyl-Xanthates and Iso-Propyl Xanthates; Pulleys; Quartz, Rock Crystal or specially cut forms;

Radio and Land Line Communication Equip-

RUBBER ESTATES OUTPUT

	Output for June, 1951	Total this Financial Year to date		Estimate this Financial Year
		lbs.		
Bute	67,000	387,000	(6 mths.)	870,000
Consolidated	96,500	570,200	(6 ")	1,350,000
Dominion ..	58,200	300,800	(6 ")	740,650
Kota Bahroe	70,000	838,500	(12 ")	800,000
Sungei Duri	70,000	817,500	(12 ")	820,000
S'hai Pahang	32,900	464,400	(12 ")	578,000
S'hai Kedah	93,592	854,405	(9 ")	1,200,000
Tanah Merah	82,050	226,970	(3 ")	1,100,000

Production & Trade in Indian Oilseeds

Prices of oilseeds set up new records in 1950 due to strong demand, internal and external. Production of oilseeds in 1950-51 is expected to be normal. In view of the world shortage in oilseeds and oils, the Government of India had to regulate their exports after taking into account internal requirements. Groundnut exports were banned in February, which were resumed in a limited degree in September. Demand for groundnut oil was keen. Exporters took keen interest in linseed and castor at advancing prices. Export business in castor and castor oil revived appreciably due to competitive rates vis-a-vis Brazil.

Production of oilseeds for 1950-51 is expected to be normal. The year began well with widespread rains in all the important producing areas. During July to September, rains were satisfactory in the Ceded Districts of Madras, Hyderabad, Saurashtra, Khandesh and Central India. It was expected that the outturn of oilseeds would be a bumper one. However, towards the end of September, the rains failed in many places with the result that the outturn had to be revised downwards. In the last quarter of 1950, there was the failure of the northeast monsoon in South India for the fifth year. The heavy floods and the subsequent draught in Bihar and east Utter Pradesh and the Punjab are reported to have affected the outturn of the crop adversely in these areas.

Demand for Indian oilseeds and oils both from within and without remained at a high level throughout the year. The total outturn of oilseeds in the country was being estimated around 5 million tons valued at well above Rs. 4,000 million. Requirements of edible oils for internal consumption were placed at 2.77 million tons as compared with 1.76 million tons in the pre-war period. The expansion in the consumption of oil was due to the increased demand from the Vanaspathi, soap and paint industries. The industrial uses of linseed oil are stated to have gone up from 21,000 tons to 77,000 tons at present. The consumption of soft oils by the soap industry is stated to have increased from 35,000 tons to 100,000 tons while the increased intake by the Vanaspathi industry was placed at 119,000 tons.

In view of the considerable increase in the offtake of vegetable seeds and oils in the country, and also taking into account the shortage of oils in the world, especially in the soft currency areas, the Government of India had to take every care that adequate quantities of oils and seeds were conserved in the country for internal consumption and also to prevent any sharp increase in prices. Early in February, when they found that prices of oilseeds in the country had begun to show an upward trend, they suspended exports of groundnut kernals and groundnuts in shell to foreign countries. In the course of a Press Note, they stated: "Owing to late crop and consequent delays of arrivals in markets and other aggravating circumstances, there has occurred a physical shortage of groundnut with the result that the quantity available for internal consumption and for crushing as well as for export has become small. The Government of India are therefore obliged to suspend for the time being all exports from India of groundnut kernels and groundnut in shell to foreign countries." The ban on export continued until the third week of September 1950, when they lifted the ban partially. They stated that 8,000 tons of groundnut could be shipped up to the end of December to the dollar area and Switzerland. Furtheir, 20,000 tons were allowed for export to all permissible destinations during January-February 1951.

Groundnut Exports

Exports of groundnut early in the year were impressive since Government followed the principle of first-come-first-served in regard to exports. During January, the quantity exported came to the high figure of 52,203 tons while in February and March, it declined to 31,156 tons and 16,742 tons, respectively. In 1949-50, total exports amounted to 125,706 tons as against 38,272 tons in the previous year, their respective values being Rs. 90 million and Rs. 31 million. The quantity of groundnut oil exported in 1949-50 delined to 6.17 million gallons valued at Rs. 45.3 million. In view of the ban on exports of groundnut, which became operative in February, the quantity of groundnut exports declined to 6,287 tons during the first half of 1950-51 as against 27,687 tons for the same period in the previous year.

Prices of groundnut remained at relatively high levels during the year. They ruled firm in January due to keen enquiry from exporters and the restrictions imposed by the Saurashtra Government on exports from their territory. Short-sellers had to cover their open sales at advancing rates. Khandesh quality groundnut improved from Rs. 36-14 to Rs. 41-8 per cwt. by the end of January. The ban on exports in February had a bearish effect, prices declining to Rs. 40-8. The downward trend, however, proved to be shortlived for at lower levels local crushers were strong buyers. By the end of February Khandesh quality moved up to Rs. 44. During March the Government of India reiterated their determination to control the prices of groundnut and in consequence, the rate came down to Rs. 41-4. During April, it recovered to quote at Rs. 44-8 owing to limited arrivals to the consuming markets. The trend became upward during the next four months despite occasional profit-taking, due to seasonal considerations. The demand for oil from the Vanaspathi industry was particularly strong and crushers were willing to pay high prices. In May, prices improved to Rs. 45-12 and by July they touched Rs. 46-4. The highest level for the year was reached in August when the rates moved up to Rs. 48-6. Coromandel quality and Bombay Bold were taken up at Rs. 48 and Rs. 47-6, respectively. Reports of favourable

(Figures in 000)

	1949-50		1948-49		1947-48	
	Area in acres	Yield in tons	Area in acres	Yield in tons	Area in acres	Yield in tons
Groundnut	9,672	3,399	9,145	2,896	10,779	3,411
Linseed	3,781	425	3,864	444	3,977	431
Castorseed	1,391	118	1,383	108	1,414	118
Sesamum	4,615	379	4,645	333	3,980	351
Rape and Mustard	4,677	774	4,633	735	4,615	806

(Continued from page 140)

and instruments are the U.K, the U.S.A., Japan and India. In view of the Korean hostilities, the supply from Japan was irregular. Moreover, the prices also registered a sharp rise. As a result, the importers turned their attention to India and the demand for hardware materials is on the increase. Indian exports in 1950-51 during the seven-month period April to October amounted to Rs. 173,589 as against the total export of Rs. 141,380 in 1949-50. Thus, there has been an increase in export by Rs. 31,209.

Agricultural Machinery: Indian rice milling machinery and other agricultural machinery are competitive in price. The quality also conforms to the accepted standard. There were a good number of enquiries for rice milling and agricultural machinery. India's export to Thailand during the six-monthly period of 1950-51 amounted to Rs. 56,560 as against the total export of Rs. 45,643 in 1949-50.

ment, including Telephones; Resorcinol; Rosin (Colophony); Rubber, Natural; Rubber, Synthetic; Rubber Solution; Scientific Instruments; Selenium; Silicones, all types; Sodium; Sodium Arsenite; Sodium Azide; Sodium Cyanide; Sodium Nitrate; Sodium Permanganate; Sodium Peroxide; Steatite, electrical grades; Strontium; Strontium Ores; Strontium Compounds; Styrene; Styphnic Acid and Styphnates; Sulphur; Sulphur Chlorides, including thionyl chloride; Sulphuric Acid;

Tantalum, all forms; Tantalum Compounds, including Tantalates; Tantalum Ores and Concentrates; Teflon; Telescopes; Tetryl; Thallium Bromo-Iodide; Thermit; Thiocarbanilide; Thiourea; Thiuram Disulphides, including T.M.D. and T.E.D.; Thorium; Thorium Ores; Thorium Alloys; Thorium Compounds; Tin Alloys; Tincans, finished or unfinished (Export only); Tinplate and Terne Plate, all kinds (Export only); Titanium; Titanium Chloride; Titanium Dioxide; Toluene (Toluol); Tools and Tools Parts for Metal Working Machines; Tools, portable hand-held power, including parts; Trichloromethyl Chloroformate; Triethanolamine; Trinitro-Toluene; pounds; Tungsten Ores and Concentrates; Tur-Triptanes; Tungsten, all forms; Tungsten Combines, over 300 h.p.; Tyres and Tubes, other than pedal bicycle;

Uranium; Uranium Alloys; Uranium Compounds; Uranium Ores and Concentrates; Vanadium; Vanadium Alloys; Vanadium Compounds; Vanadium Ores and Concentrates; Welding Electrodes and Rods; Welding Machinery and Sets; Wire, all types, including rope, rods and cables, whether inculated or not; X-Ray Diffraction Equipment, excluding X-ray equipment for medical use; Zinc, all forms; Zinc Ores and Concentrates; Zinc Alloys; Zinc Oxide; Zinc Stearate; Zirconium; Zirconium Alloys; Zirconium Ores; Zirconium Compounds.

weather conditions and the proximity of the crop movement depressed the market sentiment during September, Khandesh quality declining to Rs. 45. By the end of October, the new crop groundnut began to move gradually from the producing centres, resulting in prices coming down to Rs. 40-8. During November, prices moved within narrow levels, but in December the undertone became firm on reports of the failure of the rains in some producing areas. In the last week of December, Khandesh quality improved to the high level of Rs. 47-8 while Coromandel and Bombay Bold were dealt in at Rs. 47-4 and Rs. 46-8, respectively. In 1949, Khandesh quality fluctuated between Rs. 36 and Rs. 46-14.

Groundnut oil was in keen request during many months of the year. In view of this it exercised considerable influence over the prices of seeds. Early in January groundnut oil ready ex-mill delivery was selling around Rs. 21 per quarter. By the end of February it improved to Rs. 23-8. There was a slight reaction in March, the rates dropping to Rs. 22. In April, it recovered to Rs. 23-12 and Rs. 24-4 in May. Thereafter until August, it moved between Rs. 23-12 and Rs. 25, but in the last week of that month, it touched the high level of Rs. 25-12. During September, it was fairly steady around Rs. 24, but came down to Rs. 21-8 by the end of October in sympathy with the weakness of groundnut. Price fluctuations during November were limited and in the last week of December, ready ex-mill delivery was taken up at the high level of Rs. 25-8 which compares with Rs. 20-8 in the same week a year ago.

Linseed

Linseed also displayed a firm trend throughout in sympathy with groundnut and castor. Exporters showed considerable interest in view of the world shortage in this commodity, particularly the reduced despatches of linseed from Argentine. Since there was only a limited surplus of this commodity for export, the Government of India had to place restrictions on its export with a view to preventing any sharp upswing in prices. Early in January, linseed was quoted at Rs. 35 per cwt., improving to Rs. 36-8 towards the month-end Linseed oil was firm around Rs. 21-4 per quarter. In the third week of February, Government announced a ban on further sales of linseed to foreign countries for shipment during February and March. They further stated: "Pending review of the crop position, sales of linseed for shipment during April to June 1950 may, however, continue to be made, but for small quantity only. Such sales should be exported, as usual, under advice to the Chief Controller of Exports, New Delhi." Before the announcement, spot linseed was taken up at the high level of Rs. 40-8, but it declined to Rs. 38-4 after the ban. Linseed oil hardened to Rs. 22 by the end of February. During March, the undertone was quiet, prices of linseed ruling around Rs. 37-14. Until the outbreak of the Korean war, price movements were limited with exporters showing subdued interest. The sharp rise in the commodity prices of the U.S.A. had a mild bullish effect, linseed once again touching Rs. 40 in July. The rate further improved to Rs. 42-4 in August. During the next three months, prices moved between Rs. 41 and Rs. 42 for most days. In the last week of December, linseed was fetching the high rate of Rs. 43-12. Linseed oil was exceptionally firm at Rs. 22-14. In 1949, linseed was moving between Rs. 26 and Rs. 36-6 and linseed oil between Rs. 16-12 and Rs. 21-2. Exports of linseed in 1949-50 amounted to 71,556 tons valued at Rs. 46 million as against 25,024 tons valued at Rs. 14 million in the previous year. Linseed oil despatches in 1949-50 were somewhat lower at 1.78 million gallons worth Rs. 13 million. During the first six months of 1950-51, exports of linseed came to 31,435 tons as compared with 40,337 tons for the same period a year ago. The value of exports for the six-month period in 1950-51 stood at Rs. 23 million.

Castor

The rise in the prices of castor seed was phenomenal during 1950. Early in January, castor was quoted at Rs. 23-8 per cwt. when Khandesh quality of groundnut was fetching at Rs. 39-8. Towards the year-end, the former improved to the record level of Rs. 49-8—highest in its history—while groundnut was selling at Rs. 47. The year was also noteworthy in another respect. In 1949, exports of castor were practically negligible since the Indian castor could not compete with its Brazilian counterpart. The devaluation of the rupee against the U.S. dollar provided a stimulus to this since Brazil did not devalue her currency. During the first six months of 1950-51 (April to September), exports of castorseed amounted to 18,895 tons worth Rs. 12 million as against a bare 347 tons valued at Rs. 152,460 for the same period in the previous year. Despatches of castor oil improved to 1.83 million as against 366,143 gallons worth Rs. 2.4 million for the corresponding period in the previous year.

There was a revival of export demand for castorseed at the beginning of the year, particularly from Japan. Madras quality castor which was dealt in at Rs. 23-8 cwt. early in January improved to Rs. 28 towards the month-end. During February, export enquiries began to be forthcoming from France, resulting in prices moving up to Rs. 30. The weakness of groundnut and linseed had an unfavourable effect, and in consequence, prices dropped to Rs. 27-12 in March. During the second quarter, trading was colourless, prices moving around Rs. 28 for most days. The impact of the Korean war was favourable, lifting up prices to Rs. 30-8 in July. Export enquiries began to increase and by the end of August, the rate improved to Rs. 37. During the next three months, prices moved between Rs. 36 and Rs. 38, but in December, there was a veritable buying activity, resulting in prices reaching the giddy level of Rs. 49-8 towards the end of that month. In 1949, prices were moving between Rs. 23 and Rs. 28.

Hides and Skins Industry of India

The tanning industry in 1950 experienced a set-back due to shortage of raw hides available for local tanning. Demand for footwear of western types would appear to be steady. Production of indigenous type of footwear was maintained at the 1949 level. Supplies of raw hides and skins through a major part of the year were lower than a year before. Exports of raw hides during the first six months of 1950-51 were lower than in the corresponding period of the previous year but with the outbreak of war in Korea in June foreign demand especially from the U.S.A. increased. Exports of raw skins were much better and the foreign demand enlarged further after the out-break of war. As the U.K. schedule prices for skins were lower than those offered by the U.S.A. and continental countries, supplies to that country were small. Imports of raw skins and hides were higher than in the previous year. The Open General Licence for import of raw hides and skins was extended to the end of December. The Ceylon Government stopped in November exports of hides and skins to India on the basis of exchange control permits issued by Ceylonese banks and exports from that country would be made through the Director of Industries, Ceylon. Prices of raw cow hides and raw goat skins were firm

The accompanying table shows the trend of the tanning industry in India in 1950:

(Figures in 000)

	1949	1950 1st Qr.	1950 2nd Qr.	1950 3rd Qr.
(1) Vegetable tanned bull and cow hides (in terms of cow hides)	1,835	388	377	365
(2) Chrome tanned hides by organised sect	581	125	111	114
(3) Western type leather footwear by mechanised units only (pairs)	3,850	575	730	792
(4) Indigenous type leather footwear by mechanised units only	29,109	535	508	537

For the first six months of 1950-51 (April-September) exports of hides amounted to 330 tons valued at Rs. 1,131,000 as compared with 488 tons valued at Rs. 1,133,000 for the corresponding period of the previous year. At the current rate exports for the year 1950-51 may not exceed 700 tons as against a total of 783 tons in 1949-50. Exports of buffalo hides in the first six

months of 1950-51 amounted to 20 tons as against 19 tons in the previous year. Exports of cow hides amounted to 298 tons as compared with 55 tons. But due to higher level of prices, the value of buffalo hides was higher at Rs. 65,000 as compared with Rs. 27,000 in the previous year. Despite large decline in quantity of cow hides exported, the total value of cow hides at Rs. 1,012,000 was slightly lower than in the previous year by Rs. 41,000. Exports of raw calf skins were lower at 12 tons as against 14 tons in the previous year.

Demand for Indian raw goats from the U.S.A. was strong throughout the year. Although over-all exports declined from 6,158 tons to 5,937 tons, exports to the U.S.A. during April-September 1950 increased to 3,734 tons from 2,307 tons. In value they increased from Rs. 8.5 million to Rs. 19.9 million. The value of over-all exports which declined in quantity rose in value due o higher prices, from Rs. 28.4 million to Rs. 36.6 million. In the raw sheep section exports declined in quantity from 43 tons to 32 tons and in value from Rs. 384,000 to Rs. 295,000.

Out of total exports of 7,193 tons of raw skins, the share of Calcutta was 3,269 tons, that of Madras 1,193 tons and Bombay 1,729 tons. Exports from Delhi air-ports amounted to 1,002 tons.

Foreign demand for tanned hides and skins, particularly for kips and calf-skins was particularly strong. Total exports of tanned hides and skins during April-September 1950 amounted to 9,015 tons valued at Rs. million as compared with 7,273 tons valued at Rs. 62.7 million in the previous year. Cow hides improved in quantity from 3,876 tons to 5,365 tons and in value from Rs. 24.1 million to Rs. 30.2 million. Calf skins rose from 497 tons to 797 tons and in value from Rs. 3.4 million to Rs. 6.1 million. Goat skins increased by a small extent from 1,409 tons to 1,428 tons. But the rise in value was steep, it being from Rs. 17.1 million to Rs. 22.7 million. Sheep skins declined from 948 tons to 905 tons. However the value increased from Rs. 14.6 million to Rs. 15.4 million.

In all the sections, the U.K. was the principal customer, her shares in cow hides, calf skins, goat skins and sheep skins being 4,517 tons, 688 tons, 762 tons and 793 tons as compared with 3,497 tons, 429 tons, 965 tons and 860 tons respectively in the previous year. The U.S.A. which did not figure in the previous year, imported 476 tons of cow hides, and 20 tons of sheep skins. Her share in raw goat skins improved from 1 ton to 397 tons.

Following Pakistan's non-devaluation of her rupee in terms of dollar in September 1949, trade between India and that country came to standstill. There were no arrivals of hides and skins from that country and this caused some dislocation to the tanning industry in Madras. This position continued till a limited agreement was concluded with that country in April. As a result of this agreement there were moderate arrivals of hides and skins from Pakistan. However, as the agreement was not extended after September, arrivals from Pakistan ceased again.

Imports of hides amounted to 473 tons valued at Rs. 718,000 as compared with 230 tons valued at Rs. 334,000; raw skin imports were slightly lower at 526 tons as against 660 tons in the previous year. But the value increased from Rs. 1.2 million to Rs. 1.4 million. The Open General Licence, which permitted freely imports of hides and skins from Aden, Arabia, Ceylon, etc., was extended till the end of December. Imports of skins from Pakistan by sea amounted to 43 tons as against 89 tons in the previous year. It may be mentioned here that there were no imports of hides and skins from the country from the time when her rupee was not devalued till the agreement on barter basis was concluded in April 1950. As this agreement was not renewed after September, imports ceased again.

Exports of light weight raw hides were encouraged to hard currency areas. This step was further helped by the better prices offered by the U.S.A. as compared with the U.K. Exports of Amritsar Papras measuring over 36" in length and over 24" in width were continued to be permitted to all permissible destinations.

During the year, a number of private auction sales were held, the earliest being in January. Tanned goat skins opened firm prices advancing by 3 to 6d. As regards sheep skins the market opened weak but closed 6d. lower than in the last auction. The next sale was in March when 16,000 tanned goat skins and 520,000 tanned sheep skins were offered for sale. The third sale was held in May when 35,000 tanned goat skins and 590,000 sheep skins were available. At this auction tanned goat skins were better and sheep prices declined by 6d. below March sale. In July sales, 35,000 tanned goat skins and 390,000 sheep skins were put on sale. Goat skins did not receive proper bids and sheep skins registered a decline of 6 to 9d. over the previous sales. The next sale was held in September when restrictions as regards bidding were relaxed. No restrictions were imposed on buying for overseas accounts or for local sorting trade. Consequently better prices were obtained by competitive bidding. At this auction, 185,000 tanned goat skins and 470,000 sheep skins were offered for sale. Prices of tanned goat skins rose sharply by 1s. 6d. for lights, 1s. for medium and 3d. for heavies.

Though there was no control over prices, in the U.K., the British Leather Controller was refusing import licences when prices were over the schedule limits. Demand from the U.S.A. increased after the beginning of the war in Korea and that country was paying 4 to 5 per cent over the British schedule prices. The result was that offerings to the U.K. were light and the business restricted as stocks were getting depleted and the British Board of Trade was obliged to raise its schedule prices in September. Even these increases did not improve the position as the U.S.A. was already paying higher prices. Consequently the U.K. importers could not secure large offers of shipments.

In 1950, the hides and skins markets were firm. On the out-break of war in Korea prices advanced steeply in all sections. Supplies recorded declines and this accentuated price advances. During January, the market was active and arrivals of tanned cow hides and calves and buff hides and calves were moderate. Trading in kips was done on a high level. Tanned buff hides and cow calves were in strong demand. Tanned goat skins arrivals were small and prices were steady. Prices of raw goat skins advanced as the export demand was good. Prices of tanned cow hides ruled at 1 anna over the U.K. levels. Tanned goat skins were above the U.K. levels by 6d. During the next seven months the market was firm. On the out-break of war in Korea and consequent large foreign demand particularly from the U.S.A., prices in almost all sections advanced rapidly. Tanned cow, calf, buff calf and lights were in good demand. The accompanying table gives trend of prices as compared with the previous year.

	1950 (Nov.) Rs.	1949 (Nov.) Rs.	
Tanned Cow hides	2- 5-0	2-8-0	per lb.
,, ,, Calf	5- 3-0	3-8-0	,,
,, Buff hides	1-11-0	1-9-0	,,
,, ,, Calf	3- 7-6	2-9-0	,,
,, Goat skins	7-11-0	6-8-0	,,
,, Sheep skins	7- 4-0	6-8-0	,,
Wet salted goat skins ..	5-12-0	5-0-0	,,
,, ,, sheep skins .	4- 8-0	4-8-0	,,

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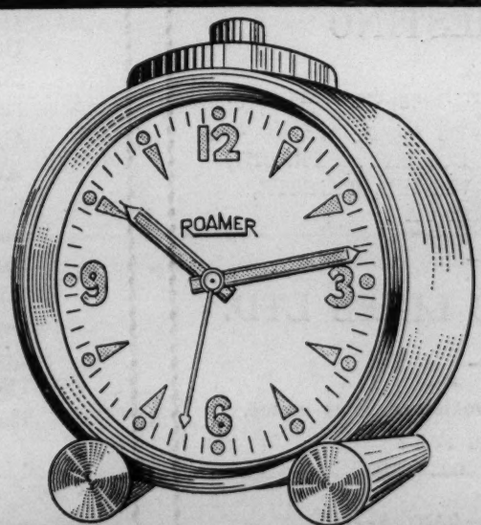

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